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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 ENTERING INTO A DEVELOPMENT AGREEMENT

THE DEVELOPMENT AGREEMENT

The Board is pleased to announce that on 16 June 2014 (after trading hours), Hansford, a wholly-owned subsidiary of the Company, entered into the Development Agreement with Wise Think to undertake the Joint Redevelopment.

Pursuant to the terms of the Development Agreement, Hansford and Wise Think, as tenant-in-common of the Lot, agree to demolish the Properties on the Lot and erect in place thereof the New Building exploiting the maximum redevelopment potential obtainable following an application to the Director of Lands for any necessary modification of the Government Lease. Hansford and Wise Think will bear the cost and share the economic interests in the Joint Redevelopment on a 75:25 basis.

Unless otherwise agreed by Hansford and Wise Think, the New Building will be a high class residential estate. The aggregate Redevelopment Cost contemplated under the Development Agreement are presently estimated to be approximately HK\$460,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Joint Redevelopment is more than 25% but less than 100%, the Joint Redevelopment constitutes a major transaction of the Company, which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approval of the Joint Redevelopment has been obtained from Sea Rejoice Limited and Magical Profits Limited, the substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the date of this announcement.

A circular containing, among other things, details of the Joint Redevelopment is expected to be despatched to the Shareholders on or before 8 July 2014 in accordance with the Listing Rules.

** for identification purpose only*

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Date

16 June 2014 (after trading hours)

Parties

- (1) Hansford; and
- (2) Wise Think.

Hansford is a wholly-owned subsidiary of the Company and its principal activity is investment holding.

As far as the Company is aware after having made all reasonable enquires, Wise Think is a company a company incorporated in the British Virgin Islands and is principally engaged in investment holding activities.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Wise Think and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject Matter

Hansford is the registered owner of the First Property and Wise Think is the registered owner of the Second Property. The First Property and the Second Property are held by Hansford and Wise Think respectively from the Government for the term of years created by the Government Lease.

The Properties comprise 12 units in a building situated at Nos. 301, 301A-C Prince Edward Road West, with a site area of approximately 8,060 square feet.

The First Property comprises 9 out of 12 units in the Building, with a total saleable area of approximately 8,736 square feet. The Second Property comprises 3 out of 12 units in the Building, with a total saleable area of approximately 2,736 square feet.

The Properties are residential units and all are currently vacant.

Pursuant to the terms of the Development Agreement, Hansford and Wise Think, as tenant-in-common of the Lot, have agreed to undertake the Joint Redevelopment by demolishing the Properties on the Lot and erecting in place thereof the New Building exploiting the maximum redevelopment potential obtainable following an application to the Director of Lands for any necessary modification of the Government Lease. Unless otherwise agreed by Hansford and Wise Think, the New Building will be a high class residential estate.

Hansford and Wise Think agree that the New Building shall be completed with funds contributed by or bank financing obtained by each of Hansford and Wise Think at the Proportion and that the New Building shall be sold in open market and the net proceeds thereof shared between Hansford and Wise Think at the Proportion.

To facilitate the Joint Redevelopment, Wise Think irrevocably appoints Hansford as its representative to take charge of the Joint Redevelopment and undertake on its behalf all matters relating to the Joint Redevelopment and shall keep Hansford fully indemnified from all loss and damages arising from or incidental to its carrying out of such matters. Wise Think agrees to, at the request of Hansford from time to time made, execute such authorization or powers of attorney as Hansford may reasonably require in order to undertake on behalf of Wise Think the matters relating to the Joint Redevelopment.

Redevelopment Cost

The aggregate Redevelopment Cost contemplated under the Development Agreement are presently estimated to be approximately HK\$460,000,000, which is determined based on the budget forecast as agreed between Hansford and Wise Think after arm's length negotiations and by reference to recent market prices of comparable redevelopment projects.

Under the terms of the Development Agreement, each of Hansford and Wise Think agrees to pay for and bear the Redevelopment Cost in the Proportion and undertakes to promptly make contribution to the Redevelopment Cost when called upon so to do by Hansford.

The Group will finance its cash contribution to the Joint Redevelopment from internal resources of the Group and/or bank financing.

If funding for the Redevelopment Cost by means by bank borrowing or other borrowings from third parties is required, each of Hansford and Wise Think shall use its best endeavours to procure such borrowings on the most favourable terms reasonably obtainable as to interest, repayment and security. When called upon to do so, Hansford and Wise Think shall execute in favour of the lending bank or financier a building mortgage in respect of the Lot and in any case where such borrowing cannot be secured upon reasonable terms without guarantees or securities in addition to the building mortgage, then such guarantees or securities shall be provided by each of Hansford and Wise Think severally in the Proportion.

FINANCIAL INFORMATION OF THE PROPERTIES

The site value of the Lot with vacant possession is valued at HK\$284,000,000 as at 31 March 2014 by an independent professional valuer.

For the financial year ended 31 March 2013, both the audited net profits before and after taxation and extraordinary items generated from the leasing of the Properties were approximately HK\$6,399,000.

For the financial year ended 31 March 2014, both the unaudited net profits before and after taxation and extraordinary items generated from the leasing of the Properties were approximately HK\$1,306,000.

REASONS FOR AND BENEFITS OF THE REDEVELOPMENT

The Group is principally engaged in property investment, property development, securities investment and loan financing, and the Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the People's Republic of China.

The First Property is currently being used by the Group for investment purposes.

The Directors are optimistic about the property market in Hong Kong, especially the luxury residential sector. The Board believes that the Joint Redevelopment will not only enhance the Group's assets portfolio but also strengthen the edge of the Company in luxury residential market in Hong Kong.

The Directors (including the independent non-executive Directors) consider that the Joint Redevelopment is on normal commercial terms and the terms of the Development Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Joint Redevelopment is more than 25% but less than 100%, the Joint Redevelopment constitutes a major transaction of the Company, which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals of the Joint Redevelopment have been obtained from Sea Rejoice Limited and Magical Profits Limited, the substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the date of this announcement. Sea Rejoice Limited which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of the Company and Easyknit Enterprises Holdings Limited. Magical Profits Limited, which holds 29,179,480 shares, representing approximately 36.74% of the issued shares of the Company is wholly-owned by The Winterbotham Trust Company Limited as the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive director of the Company and Easyknit Enterprises Holdings Limited) other than the spouse of Ms. Lui Yuk Chu) with effect from 3 June 2014. Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of Listing Rules.

A circular containing, among other things, details of the Joint Redevelopment is expected to be despatched to the Shareholders on or before 8 July 2014 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"Building"	Nos.301, 301A-C Prince Edward Road West, Kowloon
"Company"	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Development Agreement"	the development agreement dated 16 June 2014 entered into between Hansford and Wise Think in relation to the Joint Redevelopment
"Director(s)"	the director(s) of the Company
"First Property"	all those ground floor, first floor and second floor of Block A, Block B and Block D of the Building
"Government Lease"	the Government Lease of the Lot
"Group"	the Company and its subsidiaries

“Hansford”	Hansford International Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“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
“Joint Redevelopment”	redevelopment of the Lot by Hansford and Wise Think as tenant-in-common by joint efforts as contemplated under the Development Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot”	the Kowloon Inland Lot No. 2320
“New Building”	a multi-storey apartment building to be erected on the Lot
“Properties”	the First Property and the Second Property
“Proportion”	the proportion of 75:25, with 75 attributed to Hansford and 25 attributed to Wise Think
“Redevelopment Cost”	all costs and expenses pertaining to the Joint Redevelopment, including but not limited to costs and expenses incurable in the application for the desired Government Lease modifications, the premium paid for the modifications; the costs and expenses for the preparation and approval of designs, building plans and specifications; survey and planning; demolition cost, formation and construction works; insurances; promotion advertising and marketing
“Second Property”	all those ground floor, first floor and second floor of Block C of the Building
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wise Think”	Wise Think Global Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	percentage

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

Hong Kong, 16 June 2014

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