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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)

POSSIBLE MAJOR TRANSACTION

Wellmake Investments plans to dispose of the Property. The Sale and Purchase Agreement has not been entered into in connection with the Possible Disposal. The Directors are seeking the requisite approval of Shareholders to effect the Possible Disposal, subject to contract. The Possible Disposal, if it takes place, will constitute a major transaction under the Listing Rules.

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

POSSIBLE DISPOSAL OF PROPERTY

Wellmake Investments, a property holding company which is a wholly-owned subsidiary of the Company, plans to dispose of the Property.

On 29 December 2008, Wellmake Investments received from the Urban Renewal Authority an offer to purchase the Property at the price of HK\$47,113,000 plus an allowance of HK\$4,711,000 (the "Allowance") payable to Wellmake Investments for acquisition of the Property under the Kwun Tong Town Centre Development Scheme, a scheme of the Urban Renewal Authority (collectively the "Offer"). The permitted use in the occupation permit and the actual use in respect of the Property is non-domestic. The Urban Renewal Authority has informed Wellmake Investments that it has adopted the highest of the three valuations of non-domestic properties as the market value of the Property. To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, the Urban Renewal Authority is an Independent Third Party.

On 7 April 2009, Wellmake Investments accepted the Offer subject to contract. The Directors are seeking the requisite approval of Shareholders to effect the Possible Disposal, subject to contract.

As at the date of this announcement, the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance have not been entered into. However, the Directors are of the view that the terms of the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance are finalised as at the date of this announcement.

Wellmake Investments plans to enter into the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance with the Urban Renewal Authority as soon as the requisite approval of Shareholders to effect the Possible Disposal has been obtained.

Under the Sale and Purchase Agreement, the purchase price of the Property being HK\$47,113,000 will be paid in the following manner:

- (a) HK\$4,711,300 being deposits payable by the Urban Renewal Authority to Wellmake Investments' solicitors as stakeholders on the signing of the Sale and Purchase Agreement which shall only be released to Wellmake Investments after it shall have been shown to the satisfaction of the Urban Renewal Authority's solicitors that the balance of purchase price of the Property together with any amount payable by the Urban Renewal Authority to Wellmake Investments is greater than or equal to the amount (if any) required for the release and discharge of the Property from the existing charge affecting the Property;
- (b) HK\$10,835,900 being part payment of the purchase price of the Property payable by the Urban Renewal Authority to Wellmake Investments' solicitors as stakeholders on the signing of the Sale and Purchase Agreement which shall only be released to Wellmake Investments after it shall have been shown to the satisfaction of the Urban Renewal Authority's solicitors that the balance of the purchase price of the Property together with any amount payable by the Urban Renewal Authority to Wellmake Investments on completion (if any) is greater than or equal to the amount (if any) required for the release and discharge of the Property from the existing charge affecting the Property; and
- (c) HK\$31,565,800 being the balance of the purchase price of the Property payable by the Urban Renewal Authority to Wellmake Investment upon completion of the Sale and Purchase Agreement.

Although the Sale and Purchase Agreement suggests that the Property is subject to a charge, it is not currently subject to a charge.

Under the agreement relating to the payment of the Allowance, the Allowance will be payable to Wellmake Investments in one lump sum immediately after the completion of sale and purchase of the Property in accordance with the Sale and Purchase Agreement.

The Property is the subject of a tenancy which attracted annual rental of HK\$1,730,140.00 for the financial year ended 31 March 2008, and an annual rental of HK\$1,856,611.71 for the financial year ended 31 March 2009. The audited net asset value of the Property as at 31 March 2008 based on its audited financial statements of Wellmake Investments for the year ended 31 March 2008 was HK\$52,500,000. Based on the unaudited net asset value of the Property as at 31 March 2009 which was HK\$48,900,000, the Possible Disposal would enable the Group to recognise a gain of HK\$2,924,000 (before selling expenses). The Group intends to use the proceeds of the disposal for general working capital.

REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL

The disposal of the Property if it takes place will allow the Group to enhance its cash balance and enable the Group to invest its cash in other properties to generate higher return.

The Directors are of the opinion that the terms of the Proposed Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Possible Disposal (if it takes place) exceed 25% but are less than 75%, the Possible Disposal constitutes a major transaction for the purposes of Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

INFORMATION ON THE GROUP, WELLMAKE INVESTMENTS AND THE URBAN RENEWAL AUTHORITY

The Group is principally engaged in the business of garment sourcing and export, property investments and development, investment in securities and loan financing. Wellmake Investments is a property holding company which is a wholly-owned subsidiary of the Company. Wellmake Investments is principally engaged in the business of property investment. The principal business activities of the Urban Renewal Authority based on the information available in its website are, among other things, to accelerate redevelopment by replacing old buildings with new to provide a better living environment and neighbourhood and to enable and encourage the rehabilitation of dilapidated buildings to prevent urban decay.

GENERAL

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

If there is any material variation of the terms of the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance, the Company will comply with the relevant requirements under the Listing Rules.

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 non-executive Director; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive Directors.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Easyknit International Holdings Limited (永義國際集團有限公司), 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
“HK\$”	Hong Kong dollars, lawful currency of 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”	Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	the meaning ascribed thereto in Chapter 14 of the Listing Rules

“Property”	G/F shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kowloon
“Possible Disposal”	the possible disposal of the Property by Wellmake Investments
“Sale and Purchase Agreement”	a formal sale and purchase agreement for the disposal of the Property to be entered into between Wellmake Investments and the Urban Renewal Authority
“Scheme”	Kwun Tong Town Centre Development Scheme, a scheme of the Urban Renewal Authority
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Possible Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Urban Renewal Authority”	a body corporate established under and by virtue of the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong)
“Wellmake Investments”	Wellmake Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

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

Hong Kong, 15 July 2009