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If you have sold or transferred all your shares in Easyknit Enterprises Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

MAJOR TRANSACTION

ACQUISITION OF PROPERTY

* *for identification only*

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DEFINITIONS

In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below.

“Announcement”	the joint announcement dated 16 February 2012 issued by the Company and Easyknit International in relation to the Acquisition
“Acquisition”	the acquisition of the Property by the Purchaser pursuant to the terms of the Provisional Agreement
“Board”	the board of Directors
“Company”	Easyknit Enterprises 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 pursuant to the terms of the Provisional Agreement
“Consideration”	HK\$180,000,000, the consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“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
“Latest Practicable Date”	21 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“percentage ratios”	the meaning ascribed thereto in Chapter 14 of the Listing Rules
“Property”	Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong
“Provisional Agreement”	a provisional sale and purchase agreement dated 16 February 2012 in relation to the Acquisition
“Purchaser”	Top Channel Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
“Shareholders”	holders of the Shares
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	consist of four individuals (in the form of tenant in common), each of whom is independent of the Company and connected persons of the Company
“%”	per cent.

LETTER FROM THE BOARD



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

Executive Directors:

Mr. Kwong Jimmy Cheung Tim
(Chairman and Chief Executive Officer)
Ms. Lui Yuk Chu
(Vice President)
Ms. Koon Ho Yan Candy

Non-executive Director:

Mr. Tse Wing Chiu Ricky

Independent Non-executive Directors:

Mr. Kan Ka Hon
Mr. Lau Sin Ming
Mr. Foo Tak Ching

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong*

Unit A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

22 March 2012

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

The Board announced that on 16 February 2012, Provisional Agreement was entered into between a wholly-owned subsidiary of the Company as Purchaser, and an independent third party as Vendor, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Property at a cash consideration of HK\$180,000,000.

The purpose of this circular is to provide you with details regarding the Acquisition.

* *for identification only*

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE PROVISIONAL AGREEMENT

Date: 16 February 2012

Parties: (a) The Vendor: Joint owners (tenant in common)
(b) The Purchaser: Top Channel Enterprises Limited

The Purchaser is an indirect wholly-owned subsidiary of the Company.

The Company and the Vendor have not entered into any transaction of a similar nature in the past 12 months that would need to be aggregated in accordance with Rule 14.22 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor consists of four individuals (in the form of tenant in common), each of whom is independent of the Company and connected persons of the Company.

Subject of the Acquisition

Pursuant to the Provisional Agreement, the Vendor will sell and the Purchaser will acquire the Property upon the terms contained therein.

The Property is situate at Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong with a saleable area of approximately 472 square feet, and is used for commercial purpose.

The Property shall be sold to the Purchaser free from encumbrances (other than 1 building order registered against the Property, which requires certain remedial works to be effected). The Purchaser has acknowledged that the Vendor shall not be responsible for such remedial works and has agreed to comply with the requirements as stated in the building order at its own costs and expenses.

The building order dated 8 June 2009 concerns building works of a platform of approximately 2 ft (width) and 1 ft (depth) which is attached to the shop-front and order to demolish the said building works and to reinstate the parts of the building within 30 days of the date of the said order. The platform is moveable. In general understanding, the Building Authority has the rights to enforce the demolition of the platform by itself and the costs are to be borne by the landlord. The Company confirmed that the platform is removable and the cost to remove in order to comply with the building order would be borne by the landlord and is approximately HK\$5,000. The Directors confirmed that such cost is immaterial to the Company.

LETTER FROM THE BOARD

The Company intends to remove the platform upon taking possession of the Property.

The Property consists of two shops, being shop A and shop B. As at the Latest Practicable Date, shop A was vacant and a provisional tenancy agreement has been entered into with a third party independent of the Company for its leasing a monthly rental of HK\$190,000 (inclusive of management fees and government rates) for 3 years commencing 9 March 2012 to 8 March 2015 with an option to renew for another 2 years. Shop B is currently leased to a third party independent of the Company for a monthly rental of HK\$115,000 (inclusive of management fees and government rates) for 2 years commencing 21 February 2011 to 20 February 2013.

Based on limited information available to the Company and Appendix II to this circular, the rental income of the Property (before expenses) for the year ended 31 March 2011 and for the 6-month period ended 30 September 2011 were as follows:

	For the year ended 31 March 2011 (HK\$)	For the 6-month ended 30 September 2011 (HK\$)
shop A (tenancy commenced on 9 March 2011)	100,161	810,000
shop B (tenancy commenced on 21 February 2011 with a rent-free period of 14 days)	<u>144,905</u>	<u>676,224</u>
Total	<u><u>245,066</u></u>	<u><u>1,486,224</u></u>

Consideration

The Consideration for the Acquisition is HK\$180,000,000, payable by the Purchaser to the Vendor according to the following payment schedule:

- (a) an initial deposit of HK\$5,400,000 has been paid on the signing of the Provisional Agreement;
- (b) a further deposit of HK\$12,600,000 has been paid on the signing of the formal agreement for sale and purchase of the Property on 9 March 2012; and

LETTER FROM THE BOARD

- (c) the balance of HK\$162,000,000 will be paid on Completion which is expected to be on or before 16 May 2012.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and determined after taking into account the relevant factors including market prices of comparable properties, location of the Property and the impact of the building order as described above. The Directors, including the independent non-executive Directors, are of view that the Consideration is fair and reasonable. It is currently expected that the Consideration will be funded by the Company's internal resources and/or external bank borrowings.

Completion

Completion of the Acquisition shall take place on or before 16 May 2012.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider the Acquisition is an opportunity for the Group to expand its property investment portfolio and increase the income stream of the Group. The Directors also consider that the Property has potential for appreciation.

The Property will be used for investment purposes.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Provisional Agreement are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the resolution approving the Acquisition if a physical general meeting were to be convened.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

The Property is subject to 2 tenancy agreements which will expire on 20 February 2013 and 8 March 2015 respectively. The Property will derive rental income from these tenants and therefore the Acquisition will have positive effects on the earnings of the Group.

LETTER FROM THE BOARD

Assets and Liabilities

Upon the Completion, the effect of the Acquisition is that the investment properties held by the Group will increase; cash reserve will decrease which will be applied toward settlement of the consideration for the Acquisition; and trade and other payables will increase due to unsettled balance of the Acquisition and the transfer of the rental deposits relating to the Property to the Group. The Group will fund the Acquisition from internal resources and/or external borrowings.

WRITTEN SHAREHOLDERS' APPROVAL

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition or is required to abstain from voting on the resolution for approval of the Acquisition, should the Acquisition be put forward to the Shareholders for approval at a general meeting of the Company. 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 Acquisition have been obtained from Landmark Profits Limited and Goodco Development Limited, the substantial shareholders of the Company with an aggregate interest in 398,450,671 Shares, representing approximately 72.36% of the issued share capital of the Company as at the date of this circular. Landmark Profits Limited and Goodco Development Limited are interested in 174,592,987 Shares and 223,857,684 Shares respectively, representing approximately 31.70% and 40.66% of the issued share capital of the Company. Landmark Profits Limited and Goodco Development Limited are wholly-owned subsidiaries of Easyknit International.

INFORMATION ON THE COMPANY AND PURCHASER

The Group is engaged in sourcing and exporting of garments and property investments.

The Purchaser, Top Channel Enterprises Limited, is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Easyknit Enterprises Holdings Limited
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2009, 2010 and 2011 are disclosed in the annual reports of the Company for the year ended 31 March 2009, 2010 and 2011. The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2011 is disclosed in 2011/12 interim report of the Company, which can be accessed on the website of the Company (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition and the present available financial resources, its expected internally generated funds and the present available banking facilities of the Group, the Group will have sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 31 January 2012, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had no outstanding borrowings. Its available banking facilities were guaranteed by the Company.

Apart from intra-group liabilities, the Group did not have at the close of business on 31 January 2012 any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

As disclosed in the 2011/12 interim report, the Group has recorded a loss attributable to the owners of the Company of approximately HK\$28,922,000. The loss was mainly attributable to (i) the loss of approximately HK\$30,545,000 on the fair value changes on the listed securities investments made by the Group which have declined

in value in midst of the downturn of the equity market in Hong Kong between April and September 2011 (ii) the lower gain of approximately HK\$11,988,000 arising on changes in fair value of investment properties; and (iii) a drop in the gross profit of approximately HK\$5,676,000 as a result of lower turnover.

As at the Latest Practicable Date, save as disclosed in the above paragraph, there is no material change to the financial or trading position of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the interim report of the Company for the 6-month period up to 30 September 2011, the operating environment of the garment sourcing and exporting business was challenging due to record high price of cotton, continued appreciation of Renminbi against US dollars and overall price surge resulting from inflation. Against this background, the Company continues facing that challenges in the current financial year. However, the Company has enhance its competitiveness by having more products mix of higher quality and design.

In this year, the local property market has been rising much and this reflected Hong Kong remaining as one of the attractive markets for property investments. For the prospects, the Board continues retaining the properties for investment purpose and constantly looking for other opportunities to maximize Shareholders' return. In addition, the Company continues to explore investment opportunities in hotel and service apartments business. Notwithstanding, the Company currently has not identified any specific target.

1. PROFIT AND LOSS STATEMENT OF THE PROPERTY

In accordance with Rule 14.67(6)(b)(i) of the Listing Rules, a profit and loss statement of the Property for the three financial years ended 31 March 2011 (“Relevant Financial Years”) and for the 6-month period ended 30 September 2011 is required to be included in this circular. The Company was provided with copies of the tenancy and tenancy-related agreements (“Tenancy Agreements”) for the Property which cover only part of the Relevant Financial Years. Other than such limited information, despite requests made by the Company’s legal advisers in this transaction, the Company is unable to gain full access to the underlying books and records or other financial information of the Vendor regarding the direct costs and other expenses for the preparation of the financial information of the Property for the Relevant Financial Years in strict compliance with the requirements of Rule 14.67(6)(b)(i) of the Listing Rules. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, such that the following information be disclosed instead. The financial information of the Property for each of the Relevant Financial Years set out below has been prepared by the Directors solely based on the Tenancy Agreements provided by the Vendor. Accordingly, it may not give a true picture of the performance of the Property during the Relevant Financial Years.

	For the year ended 31 March 2011 (approximately) HK\$	For the 6-month period ended 30 September 2011 (approximately) HK\$
Rental income of the Property (before expenses) (<i>Notes</i>)	245,066	1,486,224

Notes:

- The rental income for the Relevant Financial Years is derived from the Tenancy Agreements.

The rental income generated from the Tenancy Agreements was only partially included for the year ended 31 March 2011 because the Tenancy Agreements for shop A and shop B only commenced on 9 March 2011 and 21 February 2011 respectively. Details of the Tenancy Agreements, please refer to the Appendix IV to the circular.
- Based on the Tenancy Agreements, gas, water, telephone and electricity charges (where stated) were borne by the respective tenants of the Property. For the year ended 31 March 2011 and the 6-month period ended 30 September 2011, the total management fees and the rates were borne by the landlord paid on the Property was estimated to be approximately HK\$11,700 and HK\$143,100 respectively.
- The total stamp duty was borne by the landlord paid in respect of the Tenancy Agreements was approximately HK\$7,500. Based on the statutory tax rate of Hong Kong, the total property tax paid and payable in respect of the Tenancy Agreements is estimated to be approximately HK\$191,000 for the year ended 31 March 2011 and the 6-month period ended 30 September 2011.

4. Save for the Tenancy Agreements and other publicly available information, the Directors do not have access to other financial information in relation to the Property. Due to the limited information available to them, the Directors are unable to ascertain the amount of any other expenses (if any) in relation to the Property. Accordingly, no other expenses such as finance costs were included in the above financial information.
5. Save for the information that the Company could not obtain from the Vendor, the financial information of the Property set out above is prepared using accounting policies which are materially consistent with those of the Company.
6. The following procedures have been undertaken by Deloitte Touche Tohmatsu (“Deloitte”), the auditor of the Company, in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), with respect to the Tenancy Agreements.

Deloitte:

- i. obtained from the management of the Company a rental income summary (the “Rental Income Summary”) and a rental income listing (the “Rental Income Listing”) and checked their arithmetical accuracy;
- ii. compared the total amounts of rental income for the year ended 31 March 2011 and the 6-month period ended 30 September 2011 as shown in the Rental Income Summary to the respective total rental amounts as shown in the Rental Income Listing; and
- iii. compared the particulars of the tenants’ names, tenancy periods, monthly rental amounts, effective rental amounts and total rental amounts (the “Particulars”) as shown in the Rental Income Listing to the relevant tenancy and tenancy-related agreements provided by the management of the Company.

Deloitte’s findings are:

- a. With respect to procedure i, Deloitte found that the Rental Income Summary and the Rental Income Listing were arithmetically accurate;
- b. With respect to procedure ii, Deloitte found that the total amounts of rental income for the year ended 31 March 2011 and the 6-month period ended 30 September 2011 as shown in the Rental Income Summary were in agreement with the respective total rental amounts shown in the Rental Income Listing; and
- c. With respect to procedure iii, Deloitte found that the Particulars as shown in the Rental Income Listing were in agreement with those contained in the relevant tenancy and tenancy-related agreements provided by the management of the Company.

Because the above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements, or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, Deloitte does not express any assurance on the Rental Income Summary.

Had Deloitte performed additional procedures or had Deloitte performed an assurance engagement on the Rental Income Summary in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements, or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, other matters might have come to Deloitte's attention that would have been reported to the Company.

VALUATION OF THE PROPERTY

No valuation of the Property at the end of the three years ended 31 March 2011 and the 6-month period ended 30 September 2011 has been disclosed herein as the Directors were unable to obtain any valuation reports from the Vendor.

APPENDIX III**UNAUDITED PRO FORMA STATEMENT
OF ASSETS AND LIABILITIES OF THE GROUP****A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE GROUP**

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the Property (the “Acquisition”) as if the Acquisition has taken place on 30 September 2011.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed as at 30 September 2011 or at any future date.

	The Group at 30 September 2011	Pro forma adjustments		Pro forma total for the Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Non-current assets				
Property, plant and equipment	9,906	—	—	9,906
Investment properties	306,508	180,000	—	486,508
Goodwill	39,313	—	—	39,313
Intangible asset	20,052	—	—	20,052
Deposits paid for property, plant and equipment	1,191	—	—	1,191
	<u>376,970</u>	<u>180,000</u>	<u>—</u>	<u>556,970</u>
Current assets				
Inventories	2,592	—	—	2,592
Trade and other receivables	76,200	—	—	76,200
Investments held for trading	60,661	—	—	60,661
Bank balances and cash	174,743	(175,773)	1,030	—
	<u>314,196</u>	<u>(175,773)</u>	<u>1,030</u>	<u>139,453</u>
Assets classified as held for sale	<u>227</u>	<u>—</u>	<u>—</u>	<u>227</u>
	<u>314,423</u>	<u>(175,773)</u>	<u>1,030</u>	<u>139,680</u>

APPENDIX III
**UNAUDITED PRO FORMA STATEMENT
OF ASSETS AND LIABILITIES OF THE GROUP**

	The Group at	Pro forma adjustments		Pro forma total
	30 September			for the Group
	2011	Pro forma adjustments		
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(Unaudited)			
	Note 1	Note 2	Note 3	
Current liabilities				
Trade and other payables	46,718	12,027	1,030	59,775
Tax payable	14,110	—	—	14,110
	<u>60,828</u>	<u>12,027</u>	<u>1,030</u>	<u>73,885</u>
Net current assets	<u>253,595</u>	<u>(187,800)</u>	<u>—</u>	<u>65,795</u>
Total assets less current liabilities	<u>630,565</u>	<u>(7,800)</u>	<u>—</u>	<u>622,765</u>
Non-current liabilities				
Deferred taxation	24,571	—	—	24,571
Net assets	<u>605,994</u>	<u>(7,800)</u>	<u>—</u>	<u>598,194</u>

Notes:

- The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2011, as set out in the published interim report of the Company for the six months ended 30 September 2011.
- The adjustment represents the Acquisition by the Group for a consideration of HK\$180,000,000 and direct expenses relating to the Acquisition of approximately HK\$7,800,000 including stamp duty of approximately HK\$7,650,000, commission fee of approximately HK\$50,000 and legal and professional fees of approximately HK\$100,000. It is assumed that the Group will settle the consideration and direct expenses of HK\$187,800,000 by all cash available and the remaining balance will be settled by internally generated funds and bank borrowings, subject to the bank's internal credit approval procedures.
- In connection with the Acquisition, rental deposits of HK\$1,030,000 will be transferred from the Vendor, in relation to the existing tenancies of the Property, to the Group upon completion of the Acquisition.
- No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2011.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA
STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP**

Deloitte.
德勤

TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

We report on the unaudited pro forma statement of assets and liabilities of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of an investment property located at Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong at a cash consideration of HK\$180,000,000 might have affected the statement of assets and liabilities presented, for inclusion in Section A of Appendix III to the circular dated 22 March 2012 (the “Circular”). The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out in Section A of Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of assets and liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of assets and liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of assets and liabilities is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2011 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 March 2012

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Vigers Appraisal And Consulting Limited, an independent valuer, in connection with their valuation of the property as at 16 February 2012.

Vigers Appraisal And Consulting Limited

International Asset Appraisal Consultants

10th Floor, The Grande Building

398 Kwun Tong Road

Kwun Tong

Kowloon



22 March 2012

The Directors

Easyknit Enterprises Holdings Limited

7/F., Hong Kong Spinners Industrial Building, Phase 6

481-483 Cheung Sha Wan Road

Kowloon

Hong Kong

Dear Sirs,

Re: Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong

In accordance with your instructions for us to value the property to be acquired by Easyknit Enterprises Holdings Limited and its subsidiaries (hereinafter together referred to as “the Group”), we confirm that we have inspected the property, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the property as at 16 February 2012 (“the Valuation Date”).

Our valuation is our opinion of market value of the property which is defined as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been prepared in accordance with “The HKIS Valuation Standards on Properties (First Edition 2005)” published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuation has been made on the assumption that the property was sold in the market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property.

In valuing the property which is intended to be held for investment by the Group, we have adopted the investment approach, which capitalize the rents receivable from the existing tenancies and potential reversionary market rents of the property and taking into account the rental comparables in the market.

We have conducted land searches at the Land Registry but we have not scrutinised the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are therefore approximations.

We have inspected the property to the extent for the purpose of this valuation but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the property was free from any structural or non-structural defect.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, occupancy, tenancy status, tenure, site and floor areas. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and we have been advised by the Group that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property was free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the value of the property.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Gilbert K. M. Yuen
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.

VALUATION CERTIFICATE

Investment Property to be acquired by the Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 16 February 2012
Ground Floor No. 6 Cannon Street, Causeway Bay, Hong Kong	The property comprises a shop unit on the ground floor a 12-storey composite building completed in about 1961.	As provided by the Group, the property has been leased into two portions, which are summarized in Note 3 below.	HK\$180,000,000
1/36th shares of and in The Remaining Portion of Section F of Marine Lot No. 52 and the extension thereto	The property has a saleable area of 43.85 sq.m. (472 sq.ft.) approximately. The property is held a Government Lease for a term of 999 years from 25 June 1843.	The total rent receivable is HK\$250,000 per month inclusive of rates and management fee.	
	The Government rent for the whole of the Remaining Portion of Section F of Marine Lot No. 52 is HK\$14 per annum.	According to the Group, the monthly management fee is currently HK\$650, and the rates is currently HK\$23,850 per quarter.	

Notes:

1. The current registered owners of the property are as follows:

Lai Wai Ha (tenant in common)	(1/2)
Ng Yu Kwong (tenant in common)	
Ng Siu Lan Clara (tenant in common)	(1/2)
Ng Siu Yuen Veronica (tenant in common)	

2. Pursuant to Causeway Bay Outline Zoning Plan No. S/H6/15 dated 17 September 2010, the property lies on an area zoned for "Commercial (1)" use;

3. The property has been leased to

	Saleable Area	Lease Term	Monthly Rent (inclusive of rates and management fee)	Remarks
Portion A	28.06 sq.m. (302 sq.ft.)	9 March 2011 to 9 March 2013	HK\$135,000 (inclusive of rates and management fee)	The premises are occupied as a pharmacy shop. Surrender Agreement has been reached with the tenant to surrender the premises on 8 March 2012. Provisional tenancy Agreement has been reached with a new tenant, Beijing Tong Ren Tang Hong Kong Medicine Management Ltd. for a term of 2 years from 9 March 2012 to 8 March 2015 at a monthly rent of HK\$190,000 inclusive of rates and management fee with an option to renew for further 2 years at market rent.
Portion B	15.79 sq.m. (170 sq.ft.)	21 February 2011 to 20 February 2013	HK\$115,000 (inclusive of rates and management fee)	The premises are let for use and occupation under the name of I Mobile.

4. The property is subject to a Superseding Order No. CWP/S1/100709/09/HK under Section 24(1) of the Buildings Ordinance by the Building Authority registered vide Memorial No. 09070900350086 dated 8 June 2009;

The Superseding Order concerns building works of an encroachment attached to the shop-fronts, which has been carried without having first obtained from the Building Authority the approval of building plans and consent for the commencement of such building works required by section 14 of the Buildings Ordinance. The Building Authority orders the owners under section 24(1) of the Buildings Ordinance to:

- (a) demolish the said building works and
- (b) reinstate the parts of the Building so affected by the building works in accordance with the sail plans approved by the Building Authority.

The owners are required to commence the works ordered by the Building Authority within 30 days of the date of this order, all to the satisfaction of the Building Authority;

5. According to the Group, the encroachment is removable and a total of approximately of HK\$5,000 would be incurred to remove it in order to comply with the Superseding Order.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of director	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interests
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note i</i>)	398,450,671	72.36%
Ms. Koon Ho Yan Candy (<i>note ii</i>)	Beneficiary of a trust	398,450,671	72.36%

Notes:

- (i) These shares were respectively registered in the name of and were beneficially owned by Landmark Profits Limited and Goodco Development Limited both were wholly-owned subsidiaries of Easyknit International. Sea Rejoice Limited was interested in approximately 21.95% of the issued share capital of Easyknit International and it was wholly owned by Ms. Lui Yuk Chu. Magical Profits Limited was interested in approximately 36.75% of the issued share capital of Easyknit International. Magical Profits was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Director's Service Contracts

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(c) As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

- (ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons ("Substantial Shareholders") (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital are set out below:

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interests
Koon Wing Yee	<i>i</i>	Interest of spouse	398,450,671	72.36%
Landmark Profits Limited	<i>i & ii</i>	Beneficial owner	174,592,987	31.70%
Goodco Development Limited	<i>i & ii</i>	Beneficial owner	223,857,684	40.66%
Easyknit International	<i>i & ii</i>	Interest of controlled corporation	398,450,671	72.36%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interests
Magical Profits Limited	<i>i & iii</i>	Interest of controlled corporation	398,450,671	72.36%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	398,450,671	72.36%
Hang Seng Bank Trustee International Limited	<i>i & iv</i>	Trustee	398,450,671	72.36%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
HSBC Asia Holdings (UK)	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
HSBC Finance (Netherlands)	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%
HSBC Holdings plc	<i>iv</i>	Interest of controlled corporation	398,450,671	72.36%

Notes:

- (i) The 398,450,671 Shares related to the same block of Shares in the Company of which 174,592,987 Shares and 223,857,684 Shares were respectively registered in the name of and were beneficially owned by Landmark Profits Limited and Goodco Development Limited both are the wholly-owned subsidiaries of Easyknit International. Sea Rejoice Limited was interested in approximately 21.95% of the issued share capital of Easyknit International and it was wholly owned by Ms. Lui Yuk Chu. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 398,450,671 Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being directors of the Company, are also directors of Landmark Profits Limited, Goodco Development Limited and Easyknit International. Ms. Koon Ho Yan Candy, being a director of the Company, is also a director of Easyknit International.
- (iii) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iv) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. LITIGATION

Save for the claims against the Commissioner of Police commenced by the Company and Mr. Kwong Jimmy Cheung Tim, the President and Chief Executive Officer of the Company as disclosed in the announcement of the Company on 6 July 2010, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries have

been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the underwriting agreement dated 4 January 2011 entered into between the Company and Kingston Securities Limited in relation to the underwriting and certain other arrangements in respect of the rights issue of 183,562,225 rights share at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two Shares held;
- (b) the renewal of the tenancy agreement dated 15 June 2011 entered into between Easyknit Global Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, a wholly-owned subsidiary Easyknit International, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong; and
- (c) the Provisional Agreement.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given their opinion or advice which are contained in this circular:

Name	Qualification
Vigers Appraisal And Consulting Limited	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2011 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which it appears.

7. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in the legal field;
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
- (d) The English text of this circular prevails over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;

- (b) the letters of consent referred to in the paragraph headed “Experts and consents” above;
- (c) the material contracts referred to in the paragraph headed “Material Contracts” above;
- (d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III to this circular;
- (e) the property valuation report prepared by Vigers Appraisal And Consulting Limited, the text of which is set out in Appendix IV to this circular;
- (f) the annual reports of the Company for each of the three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011;
- (g) the interim report of the Company for the six months ended 30 September 2011; and
- (h) this circular.