
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

If you have sold or transferred all your shares in Easyknit Enterprises Holdings Limited ("Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and the form of application for excess Rights Shares, to the purchaser or transferee, or bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the Adjusted Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through the Central Clearing and Settlement System operated by HKSCC and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this prospectus, together with the provisional allotment letter, the form of application for excess Rights Shares, the written consents (referred to herein) and the material contracts (referred to herein) have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

RIGHTS ISSUE ON THE BASIS OF EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE

Underwriter



結好證券有限公司
GET NICE SECURITIES LIMITED

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, inter alia, the fulfilment and/or waiver (where applicable) of the conditions set out in the sub-paragraph headed "Conditions of the Rights Issue" on pages 19 to 20 of this prospectus. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 3 to 4 of this prospectus. Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors of the Company should exercise caution when dealings in the Adjusted Shares. Any dealings in the Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject to are fulfilled and/or waived (as applicable) (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases), and any dealings in the Rights Shares in their nil-paid form from Wednesday, 29 October 2014 to Wednesday, 5 November 2014 (both dates inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. It is expected that the conditions referred to in the section headed "Conditions of the Rights Issue" in this prospectus are to be fulfilled on or before 4:00 p.m. on Friday, 14 November 2014. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Adjusted Shares from the date of this prospectus and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Wednesday, 29 October 2014 to Wednesday, 5 November 2014 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any persons contemplating dealings in the Adjusted Shares from the date of this prospectus and/or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers. It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are summarised in the section headed "Termination of the Underwriting Agreement" on pages 3 to 4 of this prospectus. Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and terminate and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Rights Issue. If the Underwriter exercises such right, the Rights Issue will not proceed.

The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on Monday, 10 November 2014. The procedures for acceptance and payment or transfer of the Rights Shares are set out on page 16 of this prospectus.

* for identification only

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EXPECTED TIMETABLE

The expected timetable is set out below:

Event	2014 (Hong Kong time)
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 29 October
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 31 October
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares	9:00 a.m. on Tuesday, 4 November
Original counter for trading in Adjusted Shares in new board lots of 1,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 4 November
Parallel trading in Adjusted Shares (in the form of both existing share certificates in board lots of 500 Adjusted Shares and new share certificates in board lots of 1,000 Adjusted Shares) commences	9:00 a.m. on Tuesday, 4 November
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 5 November
Latest time for the acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Monday, 10 November
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 14 November
Announcement of the results of the Right Issue	Tuesday, 18 November
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares	Wednesday, 19 November
Certificates for fully paid Rights Shares to be despatched	Wednesday, 19 November

EXPECTED TIMETABLE

Event	2014 (Hong Kong time)
Commencement of dealings in fully paid Rights Shares	9:00 a.m. on Thursday, 20 November
Temporary counter for trading in board lots of 500 Adjusted Shares (in the form of existing share certificates) closes	4:00 p.m. on Monday, 24 November
Parallel trading in the Adjusted Shares (in the form of new and existing share certificates) ends	4:00 p.m. on Monday, 24 November
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Adjusted Shares	4:00 p.m. on Monday, 24 November
Last day of free exchange of certificates for the Existing Shares into new certificates.	Friday, 28 November

Notes:

- (i) *Dates specified in the Prospectus refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter. Shareholders will be notified of any change to the expected timetable as and when necessary.*
- (ii) *The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will change if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:*
 - (1) *in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or*
 - (2) *in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take effect on the Acceptance Time, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

TERMINATION OF THE UNDERWRITING AGREEMENT

In addition, the Underwriter has the right to terminate the Underwriting Agreement if any material breach of the warranties under the Underwriting Agreement comes to the knowledge of the Underwriter.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission). If the Underwriter exercises such right, the Rights Issue will not proceed.

DEFINITIONS

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

“Acceptance Time” or “Latest time for acceptance of and payment for the Rights Issue”	4:00 p.m. on Monday, 10 November 2014 (or such other time or date as the Underwriter may agree in writing with Easyknit Enterprises as the latest date of acceptance of, and payment for, Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Authorised Capital Increase”	the increase of authorised share capital of Easyknit Enterprises from HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares, which was a step in the Capital Reorganisation
“Board”	the board of Director(s)
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Capital Reduction”	the (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.10 to HK\$0.01; (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.10 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares; and (iii) the credit amount arising from the reduction of the issued share capital of Easyknit Enterprises was transferred to the contributed surplus account of Easyknit Enterprises, which were steps in the Capital Reorganisation

DEFINITIONS

“Capital Reorganisation”	the capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Authorised Capital Increase, which became effective on 21 October 2014
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the S&P Agreement and the Rights Issue, as the context may require
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation became effective but before the Capital Reduction and the Authorised Capital Increase
“Director(s)”	director(s) of Easyknit Enterprises
“EAF(s)”	the excess application form(s) issued in connection with the Rights Issue
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of Stock Exchange
“Goodco”	Goodco Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Easyknit International, being a substantial shareholder of Easyknit Enterprises
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Shareholders”	the Shareholder(s), other than (i) Easyknit International, Landmark Profits and Goodco and their respective associates; (ii) those who are connected, interested or involved in the sale and purchase of the Target Group and the Rights Issue; and (iii) those who were required to abstain from voting at the SGM convened to approve the S&P Agreement, the Rights Issue and the matters relating thereunder
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of Easyknit International, being a substantial shareholder of Easyknit Enterprises
“Last Trading Day”	5 September 2014, being the date of entering into the Underwriting Agreement
“Latest Practicable Date”	24 October 2014 (after trading hours), being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information for inclusion in the Prospectus
“Latest time for termination of the Underwriting Agreement”	4:00 p.m. on Friday, 14 November 2014, or such other time as may be agreed between Easyknit Enterprises and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matheson Street Project”	the redevelopment of the site comprising No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) (if any) in respect of whom the Directors, based on legal opinions to be provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appeared on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 24 October 2014
“Registrar”	Tricor Secretaries Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms of the Prospectus Documents
“Rights Share(s)”	450,132,472 Adjusted Shares now being offered to the Qualifying Shareholders for subscription on the basis of eight Rights Shares for every one Adjusted Share held at the Record Date pursuant to the Rights Issue
“S&P Agreement”	the sale and purchase agreement dated 5 September 2014 entered into between Easyknit Enterprises and the Vendor in relation to the sale and purchase of the Sale Share (as supplemented by an agreement entered into on 15 September 2014 by the Company and the Vendor, whereby the Company will indirectly acquire the Site and the Sale Loan at a consideration of HK\$340.0 million)
“Sale Loan”	the loan due to Easyknit International, the ultimate holding company of the Target Company
“Sale Share”	one share of US\$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Settlement Date”	Friday, 14 November 2014 or such later date as the Company and the Underwriter may agree

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting convened and held on 20 October 2014 to consider and approve the S&P Agreement, the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share, which was a step in the Capital Reorganisation
“Share(s)” or “Existing Share(s)”	ordinary share(s) of par value HK\$0.01 each in the capital of Easyknit Enterprises before the Capital Reorganisation becoming effective, unless otherwise stated
“Shareholder(s)”	holder(s) of the Share(s) or Adjusted Share(s), as the case may be
“Site”	a parcel of land located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong, with a total registered site area of approximately 8,441.5 sq. ft.
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.70 per Rights Share
“subsidiary(ies)”	the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	the meaning ascribed thereto under the Listing Rules
“Target Company”	Kingbest Capital Holdings Limited, a company incorporated in the BVI with limited liability and an indirectly-held wholly-owned subsidiary of Easyknit International
“Target Group”	the Target Company and its subsidiaries
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs

DEFINITIONS

“Undertakings”	the conditional irrevocable undertakings dated 5 September 2014 from Landmark Profits and Goodco to the Company and the Underwriter as described in the section headed “Undertakings” in the “Letter from the Board” of the Prospectus
“Underwriter”	Get Nice Securities Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement, dated 5 September 2014, entered into between the Company and the Underwriter in relation to the underwriting and certain related arrangements in respect of the Rights Issue
“Underwritten Shares”	265,771,376 Rights Shares, being all the Rights Shares other than the Rights Shares provisionally allotted to and to be accepted by Landmark Profits and Goodco pursuant to the Undertakings under the Underwriting Agreement
“Vendor”	Easyknit Properties Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Easyknit International
“%”	percent

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 *(Deputy Chairman)*
Ms. Koon Ho Yan Candy

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Tse Wing Chiu Ricky
Mr. Lai Law Kau

Head office and principal place

of Business in Hong Kong:
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Independent Non-executive Directors:

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

27 October 2014

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the circular of the Company dated 26 September 2014 relating to the acquisition as contemplated under the S&P Agreement, the Capital Reorganisation, the change in board lot size and the Rights Issue.

* for identification only

LETTER FROM THE BOARD

As at the SGM held on Monday, 20 October 2014, the necessary resolutions approving, among other things, the S&P Agreement, the Capital Reorganisation and the Rights Issue, were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll. The Capital Reorganisation became effective at 9:00 a.m. on Tuesday, 21 October 2014.

The purpose of the Prospectus is to provide you with, among other things, further details about the Rights Issue.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	: Eight (8) Rights Shares for every one (1) issued Adjusted Share held on the Record Date and payable in full on acceptance
Number of Adjusted Shares in issue as at the Record Date	: 56,266,559 Adjusted Shares
Number of Rights Shares	: 450,132,472 Adjusted Shares
Aggregate nominal value of the Rights Shares	: HK\$4,501,324.72
Subscription Price	: HK\$0.70 per Rights Shares
Enlarged issued share capital of Easyknit Enterprises immediately upon completion of the Rights Issue	: 506,399,031 Adjusted Shares
Funds raised before expenses	: approximately HK\$315.1 million
Net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares	: approximately HK\$0.69 per Rights Share
Underwriter	: Get Nice Securities Limited

LETTER FROM THE BOARD

As at the Latest Practicable Date, Easyknit International held an outstanding convertible note in principal amount of HK\$20,000,000 which are convertible into Adjusted Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$2.498 per Adjusted Share (subject to adjustment).

With the exception of the above, as at the Latest Practicable Date, the Company did not have any outstanding share options granted under any share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Adjusted Shares.

Pursuant to the Undertakings as described in the paragraph headed “Undertakings” of the section headed “Underwriting Agreement for the Rights Issue” below, each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that the shares of the Company beneficially owned by them will not be disposed of or transferred from the date of the Undertakings to the Record Date and that the Rights Shares provisionally allotted in respect of those Adjusted Shares will be accepted in full. In addition, Landmark Profits and Goodco will not apply for any excess Rights Shares.

The estimated net proceeds from the Rights Issue will be approximately HK\$312.0 million of which HK\$310.0 million are intended to be used in relation to the purchase of the Sale Share and the Sale Loan as contemplated under the S&P Agreement, and the remaining amount of the proceeds (if any) will be used for the Company’s general working capital purposes. The subscription moneys payable by Landmark Profits and Goodco to the Company pursuant to the Undertakings, which will amount to approximately HK\$129.1 million in aggregate, will not be paid in cash but will be set off against the remaining balance of HK\$310.0 million owed by the Company to Easyknit International pursuant to the S&P Agreement. Landmark Profits, Goodco, Easyknit International and the Company have agreed to the set-off arrangements.

Basis of allotment

The basis of allotment is eight (8) Rights Shares for every one (1) Adjusted Share in issue and held on the Record Date, and acceptance of all or any part of a Qualifying Shareholder’s provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied therefor.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.70 per Rights Share, payable in full when a Qualifying Shareholder accepts the provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

LETTER FROM THE BOARD

The Subscription Price represents:

- (i) a discount of approximately 80.8% to the adjusted closing price of HK\$3.65 per Adjusted Share, based on the closing price of HK\$0.365 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 80.4% to the adjusted average closing price of HK\$3.58 per Adjusted Share, based on the average closing price of HK\$0.358 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 32.0% to the theoretical ex-rights price of HK\$1.03 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.365 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 16.67% to the closing price of HK\$0.84 per Adjusted Share as quoted on the Stock Exchange on the Record Date; and
- (v) a discount of approximately 2.23% to the theoretical ex-rights price of approximately HK\$0.716 per Adjusted Share, based on the closing price of HK\$0.84 per Adjusted Share as quoted on the Stock Exchange on the Record Date.

The Subscription Price was determined based on arm's length negotiations between the Company and the Underwriter with reference to (i) the low trading liquidity of the Shares for the recent 12 months; (ii) the prevailing market price of the shares of the Company, which has been on a declining trend; (iii) the net loss of the Group in the past year; and (iv) the Directors' consideration of the future business development of the Group.

The substantial discount to the recent closing price of the shares of the Company represented by the Subscription Price is made with a view to encourage the Qualifying Shareholders to participate in the Rights Issue while maintaining their shareholdings in the Company and taking part in its future growth. Given the abovementioned factors and as indicated during the negotiation of the Underwriting Agreement, this level of Subscription Price is necessary to enable the Underwriter and/or the sub-underwriters to provide the underwriting commitment.

The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when allotted, fully-paid or credited as fully-paid and issued, shall rank passu in all respects with the Adjusted Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully paid Rights Shares. Dealings in the Rights Shares in their nil-paid or fully-paid forms will be subject to payment of stamp duty in Hong Kong.

Fractional entitlements to the Rights Issues

The Company has not provisionally allotted fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market, if a premium (net of expenses) can be obtained, for the benefit of the Company. Any unsold Adjusted Shares arising in aggregation of fractions of Rights Shares will be available for excess application.

Qualifying shareholders

The Company is sending the Prospectus Documents to the Qualifying Shareholders. The Company is sending copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, an investor must be a Qualifying Shareholder.

Shareholders with registered addresses outside Hong Kong or Bermuda

No person receiving the Prospectus or the PAL or the EAF in any territory outside Hong Kong or Bermuda may treat it as an offer or invitation to take up Rights Shares or apply for excess Rights Shares, except in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of persons outside Hong Kong or Bermuda wishing to take up or make an application for Rights Shares to satisfy themselves, before accepting any provisional allotment of Rights Shares or applying for excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith without prejudice to the foregoing. The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that doing so would or may violate applicable securities legislations or other laws or regulations of any jurisdiction.

Based on the register of members of the Company on the Record Date, none of the Shareholders had address outside of Hong Kong. Accordingly, there is no Non-Qualifying Shareholder for the purpose of the Rights Issue.

LETTER FROM THE BOARD

Procedure for acceptance and payment or transfer

A PAL is enclosed with the Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualifying Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar in Hong Kong, by no later than 4:00 p.m. on Monday, 10 November 2014. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Easyknit Enterprises Holdings Limited — Rights Issue Account**" and crossed "**Account Payee Only**". Any payment for the Rights Shares should be rounded down to 2 decimal points.

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar in Hong Kong by 4:00 p.m. on Monday, 10 November 2014, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL.

The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that in doing so would or may violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the entire and original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Friday, 31 October 2014 to the Registrar in Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to their registered addresses at the risk of such applicants on or before Wednesday, 19 November 2014.

LETTER FROM THE BOARD

Application for excess Rights shares

Qualifying Shareholders may apply, by way of excess application, for any Rights Shares provisionally allotted but not accepted.

Qualifying Shareholders who wish to apply for any Rights Shares in addition to their provisional allotment must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar in Hong Kong, by no later than 4:00 p.m. on Monday, 10 November 2014. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, and cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “**Easyknit Enterprises Holdings Limited — Excess Application Account**” and crossed “**Account Payee Only**”. The Registrar in Hong Kong will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which allotments will be at the discretion of the Directors. The Directors will allocate the excess Rights Shares at their discretion with reference to the level of acceptances of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

- i. preference will be given to applications for topping-up odd lot holdings to whole lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; and
- ii. subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied by them, with board lots allocation to be made on best efforts basis.

Investors with their Shares held by nominee(s) should note that the nominee is a single Shareholder for the purposes of the Rights Issue. Accordingly, investors whose shares of the Company are registered in the names of nominees should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually.

The latest time for acceptance of Rights Shares and the application for excess Rights Shares as well as respective payment thereof is expected to be at 4:00 p.m. on Monday, 10 November 2014, or such later date or time as may be agreed between the Company and the Underwriter.

If no excess Rights Shares are allotted to an applicant for excess Rights Shares or the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to the registered addresses at the risk of such applicants on or before Wednesday, 19 November 2014.

LETTER FROM THE BOARD

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable.

All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar in Hong Kong.

Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in the Rights Shares, in both their nil-paid and fully-paid forms.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both of which will be traded in board lots of 1,000, registered in the register of members of the Company in Hong Kong, will be subject to the payment of stamp duty and other applicable fees in Hong Kong.

Share certificates and refund cheques for the Rights shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders by ordinary post at their own risk on or before Wednesday, 19 November 2014. One share certificate will be issued for all the Rights Shares allotted to the applicant. Refund cheques

LETTER FROM THE BOARD

in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 19 November 2014 by ordinary post to the applicants at their own risk.

The first day of dealing in the Rights Shares in their fully-paid form is expected to commence on Thursday, 20 November 2014.

Taxation

Qualifying Shareholders should consult their professional advisers to the tax implications of the holding or disposal of, or dealings in the Rights Shares in both their nil-paid and fully-paid forms. It is emphasised that none of the Company, the Directors or any parties involved in the Rights Issue accepts responsibility for any tax effect or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following:

- (a) compliance with and performance by the Company of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (b) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;
- (c) if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares;
- (d) the shares of the Company remaining listed in the Stock Exchange at all times prior to the Settlement Date and the listing of the shares of the Company not having been withdrawn or the trading of the shares of the Company not having been suspended for a consecutive period of more than five trading days; and
- (e) delivery by the Company to the Underwriter of irrevocable undertakings by Landmark Profits and Goodco to accept their respective provisional allotments under the Rights Issue and fulfilment of their respective obligations under the Undertakings.

The Rights Issue will not proceed if the Underwriting Agreement is terminated.

In the event that the conditions (a), (b) and (c) above have not been satisfied/or waived (other than conditions (a) and (b) above which cannot be waived in whole or part by the Underwriter) on or before 4:00 p.m. on the Settlement Date (or, in each case, such

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later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by the Company) and the irrevocable undertakings by Landmark Profits and Goodco to accept their entitlements under the Rights Issue will lapse and the Rights Issue will not proceed.

UNDERWRITING AGREEMENT FOR THE RIGHTS ISSUE

Undertakings

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, was interested in 23,045,137 Adjusted Shares, representing approximately 41.0% of the Company's total issued share capital. As at the Latest Practicable Date, Easyknit International also held an outstanding convertible note in principal amount of HK\$20,000,000 which is convertible into Adjusted Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$2.498 per Adjusted Share (subject to adjustment).

Each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that the shares of the Company beneficially owned by them will not be disposed of or transferred from the date of the Undertakings, being the date of the Underwriting Agreement, to the Record Date and that the Rights Shares provisionally allotted in respect of those Adjusted Shares will be accepted in full, representing a total of 184,361,096 Rights Shares. Landmark Profits and Goodco will not apply for any excess Rights Shares. The subscription monies payable by Landmark Profits and Goodco to the Company pursuant to the Undertakings will not be paid in cash but will be set off against the remaining balance of HK\$310.0 million owed by the Company to Easyknit International pursuant to the S&P Agreement. Landmark Profits, Goodco, Easyknit International and the Company have agreed to the set-off arrangements.

Underwriting Agreement

Date	: 5 September 2014
Underwriter	: Get Nice Securities Limited
Number of Rights Shares being underwritten by the Underwriter	: All Rights Shares which are not subject to the Undertakings, being 265,771,376 Rights Shares
Commission	: 1.0% of the aggregate Subscription Price in respect of the Rights Shares not subject to the Undertakings, as determined on the Record Date

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Underwriter has no interest in the Adjusted Shares.

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The commission rate was determined after arm’s length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable as far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date. Details of which are set out in the section headed “Termination of the Underwriting Agreement” of the Prospectus.

EFFECT ON THE SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

On or before the Record Date, none of the outstanding convertible note was exercised by Goodco. Hence, set out below is the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after Completion assuming all Rights Shares are taken up by Qualifying Shareholder; and (c) immediately after Completion assuming only Landmark Profits and Goodco take up their Rights Shares.

	As at the Latest Practicable Date		Immediately after the Completion (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Completion (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	<i>No. of Adjusted Shares</i>	%	<i>No. of Adjusted Shares</i>	%	<i>No. of Adjusted Shares</i>	%
Landmark Profits	4,714,010	8.38	42,426,090	8.38	42,426,090	8.38
Goodco						
— Shares of the Company	18,331,127	32.58	164,980,143	32.58	164,980,143	32.58
— Underlying shares of the Company of the outstanding convertible note (<i>Notes 1, 2 and 3</i>)	<u>8,006,405</u>		<u>8,006,405</u>		<u>8,006,405</u>	
Sub-total	23,045,137	40.96	207,406,233	40.96	207,406,233	40.96
Public						
Underwriter	—	0.00	—	0.00	265,771,376	52.48
Other public Shareholders	<u>33,221,422</u>	59.04	<u>298,992,798</u>	59.04	<u>33,221,422</u>	6.56
Total	<u>56,266,559</u>	<u>100.00</u>	<u>506,399,031</u>	<u>100.00</u>	<u>506,399,031</u>	<u>100.00</u>

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Notes:

1. The shares of the Company underlying the outstanding convertible note do not represent the Company's issued shares.
2. Pursuant to the terms of the convertible note, Goodco may convert at any time within the five-year period commencing from 27 March 2014.
3. Please refer to the paragraph headed "Adjustments to the convertible note" in this letter.

Immediately following the Rights Issue, the Company will remain a subsidiary of Easyknit International.

Pursuant to the Underwriting Agreement, in the event that the Underwriter is called upon to subscribe for or to procure subscribers for the Underwritten Shares, the Underwriter shall use its best endeavours to ensure that (i) each of the subscribers of the Underwritten Shares procured by it shall be a third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; and (ii) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon Completion of the Rights Issue.

The Company has been informed by the Underwriter that the Underwriter has entered into sub-underwriting agreements with sub-underwriters to ensure the fulfilment of its obligations to underwrite all Rights Shares which are not subject to the Undertakings, being the 265,771,376 Rights Shares together with its obligation, set out above. The Underwriter has confirmed that no subscribers will become a substantial Shareholder immediately upon Completion of the Rights Issue.

ADJUSTMENTS TO THE CONVERTIBLE NOTE

As at the Latest Practicable Date, the outstanding aggregate principal amount of the convertible note amounted to HK\$20,000,000 is convertible into Adjusted Shares during the five-year period commencing from 27 March 2014, at the conversion price of HK\$2.498 per Adjusted Share (subject to adjustment).

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The S&P Agreement

The Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing. The Group has been continuously seeking opportunities to acquire properties in good location and has also been exploring other investment opportunities. The Site, which is currently 100.0% owned by the Target Group (details of the financial information of the Target Group for the three years ended 31 March 2014 are set out in Appendix III to the Prospectus), is located in a traditional residential district with good school networks in its neighbourhood and strong demand for upmarket residential properties within the proximity, the Directors believe that the Site has strong potential for redevelopment. In this regard, the Directors are of the view that the acquisition of the Site and its redevelopment are in line with the Group's overall business strategy.

The Site has a total registered site area of approximately 8,441.5 sq.ft., which is currently permitted to be developed for residential use with a maximum gross floor area of approximately 25,323 sq.ft. The Company is in the process in selecting the architectural plan targeting to build a residential building complex with car parking spaces.

According to the management, the Company has to submit the draft buildings plan to Buildings Department for approval and it will take at least 6 months' time to be approved; and also has to submit the application to Lands Department for land modification/exchange, it will take at least 1.5 years. It is estimated that it will take at least 3 years to complete all the construction works and obtain the occupation permit. An additional amount of approximately HK\$245 million is expected to be required for the redevelopment of the Site into properties, which the management expects to finance partly by bank financing and partly by internal resources.

Moreover, as the Site will be a bare site at Completion, it will be readily available for development purposes as opposed to the Matheson Street Project, whereby negotiations with owners of the properties of No. 11 and 13 Matheson Street for the purchase of their respective units are ongoing as at the Latest Practicable Date (please refer to the Company's circular dated 30 May 2014 for further details relating to the Matheson Street Project). As such, the Directors are of the view that the Site will provide a more imminent opportunity for the Company in respect of a mixed residential and commercial property development project.

The Rights Issue

Over the past year, the Company had conducted various equity fund-raising exercise for acquisitions and related redevelopment in respect of the Matheson Street Project. Details of these fund-raising exercises are set out in the section headed "Fund-raising activities of the Company for the past 12 months" below. There has been no change in the use of

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the unutilised proceeds from those fund raising activities previously ear-marked for the Matheson Street Project. The Company is therefore raising funds to complete the purchase of the Target Group.

The Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising of this scale through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

Having considered the above, the Directors are of the view that the S&P Agreement, the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POSSIBLE FINANCIAL EFFECTS ON THE GROUP FOLLOWING THE COMPLETION OF THE RIGHTS ISSUE

The acquisition as contemplated under the S&P Agreement is conditional on the completion of the Rights Issue. Hence the effect of the completion will be the combined effect of the acquisition as contemplated under the S&P Agreement and the Rights Issue. For further details of the conditions of the acquisition as contemplated under the S&P Agreement and the Rights Issue, please refer to the Company's circular dated 26 September 2014.

Based on the unaudited pro forma financial information of the Group upon completion of the S&P Agreement and the Rights Issue as set out in Appendix IV to the Prospectus, which has been prepared as if the S&P Agreement and the Rights Issue had been completed on 31 March 2014, the loss attributable to the owners of the Company will improve from approximately HK\$2.5 million to approximately HK\$1.6 million for the year ended 31 March 2014 upon completion of the S&P Agreement and the Rights issue.

As illustrated in the unaudited pro forma consolidated statements of financial position of the Group as set out in Appendix IV to the Prospectus, which has been prepared as if the S&P Agreement and the Rights Issue had been completed on 31 March 2014, the total assets of the Group would increase by approximately HK\$312.0 million whilst the total liabilities of the Group would increase by approximately HK\$0.4 million.

Based on the unaudited pro forma financial information of the Group upon completion of the S&P Agreement and the Rights Issue set out in Appendix IV to the Prospectus, which has been prepared as if the S&P Agreement and the Rights Issue had been completed on 31 March 2014, the consolidated net tangible assets of the Group upon completion of the S&P Agreement and the Rights Issue will increase to approximately HK\$1,434.7 million from approximately HK\$1,123.1 million immediately prior to the Rights Issue.

Details of the pro forma financial information of the Group following the completion of the S&P Agreement and the Rights Issue are set out in Appendix IV to the Prospectus.

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FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

The following table sets out the fund raising activities of the Company during the past 12 months immediately before the date of the Prospectus:

Date	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
16 January 2014	Issue of convertible note with an aggregated principal amount of HK\$100 million which may be converted into shares	HK\$98.7 million	For the acquisition and redevelopment of the Matheson Street Project	To be applied as intended
6 June 2014	Placing of 65,200,000 new shares under general mandate	HK\$22.5 million	For general working capital	Applied as intended
22 August 2014	Placing of 78,000,000 new shares under general mandate	HK\$23.1 million	For general working capital	Applied as intended

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Overall

For the year ended 31 March 2014, the Group recorded a turnover of HK\$156,940,000, representing a decrease of HK\$66,816,000 or 29.9% from HK\$223,756,000 for the year 2013. Loss attributable to owners of the Company for the year ended 31 March 2014 amounted to HK\$2,541,000 (2013: profit of HK\$4,695,000). The loss was mainly attributable to a change from gain of HK\$5,758,000 to a loss of HK\$2,877,000 on fair value changes of investments held for trading; and loss of HK\$1,439,000 on fair value changes of financial assets designated at fair value through profit or loss. Despite significant decrease in loss on changes in fair value of investment properties, there was no one off gain arising from the discontinued operations, therefore the Group still recorded a loss for the year ended 31 March 2014 as compared to the previous year.

The basic loss per share from continuing and discontinued operations for the year ended 31 March 2014 was HK\$0.012 (2013: basic earnings per share of HK\$0.194).

The Board did not declare or recommend the payment of final dividend for the year ended 31 March 2014 (2013: nil).

During the year, the Group was principally engaged in the business of garment sourcing and export businesses, property investments, investment in securities and loan financing.

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Geographical analysis of turnover

During the year ended 31 March 2014, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties was derived from properties located in Hong Kong and the PRC.

Garment sourcing and export businesses

For the year ended 31 March 2014, this segment recorded a turnover of HK\$142,138,000 (2013: HK\$211,770,000) representing 32.9% decrease comparing with year 2013. Cost of sales for the year ended 31 March 2014 amounted to HK\$126,790,000 (2013: HK\$190,157,000). The loss of HK\$4,908,000 (2013: loss of HK\$1,601,000) was mainly due to the decrease of turnover despite the Company's efforts to improve the profit margin.

Property investments

Turnover from the property investments segment increased by 18.2% to HK\$13,927,000 for the year ended 31 March 2014 (2013: HK\$11,780,000) of which HK\$8,307,000 and HK\$5,620,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Group has three blocks of factory premises and four blocks of dormitories with a total gross floor area of approximately 63,891 sq.m. in Huzhou, PRC; further construction works are on hand.

Investment in securities

The Group has maintained a portfolio of listed equity securities in Hong Kong with available-for-sale investments and investments held for trading. For the year ended 31 March 2014, this segment has recorded a loss of HK\$1,738,000 (2013: profit of HK\$7,472,000).

Events after the reporting period

On 30 April 2014, the Company entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated at the Ground Floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000. Completion of the sale and purchase took place on 20 August 2014 after shareholders' approval was obtained in the special general meeting of the Company held on 18 June 2014.

On 6 June 2014, the Company entered into a placing agreement with a placing agent pursuant to which the Company agreed to allot and issue, and the placing agent agreed to place 65,200,000 placing shares to independent investors at a placing price of HK\$0.35 per share. The placing was completed on 18 June 2014 and the entire 65,200,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$22,500,000 and are intended to be used as general working capital.

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Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the convertible note was adjusted from HK\$0.68 per share to HK\$0.66 per share.

On 11 August 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company agreed to allot and issue, and the placing agent agreed to place 78,000,000 placing shares to independent investors at a placing price of HK\$0.30 per share. The placing was completed on 22 August 2014 and the entire 78,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$23,100,000 and are intended to be used as the general working capital. Upon the completion of the placing of 78,000,000 placing shares on 22 August 2014, the conversion price of the convertible note has been further adjusted from HK\$0.66 per share to HK\$0.642 per share.

As at the SGM held on Monday, 20 October 2014, the necessary resolutions approving, among other things, the S&P Agreement, the Capital Reorganisation and the Rights Issue, were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll. The Capital Reorganisation became effective at 9:00 a.m. on Tuesday, 21 October 2014.

As at the Latest Practicable Date, the outstanding aggregate principal amount of the convertible note amounted to HK\$20,000,000 is convertible into Adjusted Shares during the five-year period commencing from 27 March 2014, at the conversion price of HK\$2.498 per Adjusted Share (subject to adjustment).

Prospects

Looking forward to year 2014/15, despite of a number of uncertainties are still affecting the global financial market, such as adjustments to the macroeconomic policies of major economies and geopolitical tensions, the low interest environment is likely to continue, which favours the economic recovery. The global economy is on the track of more solid economic recovery proven by the major indicators. The unemployment rate of the US economy is improved. European countries are also showing signs of upturn. It is expected that China will continue with its medium to high speed of economic growth with the support of full-scale commencement of internal reforms and the determination of macroeconomic policies.

Increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The Group is dedicated to maintain good and close relationship with valuable customers, strengthen its current sales and marketing strategies to meet the prevailing trend of the garment industry, and explore new markets and increase profit margins.

The residential property market continues to be quiet since the introduction of the various control policies by the local government. Nevertheless, the Group remains confident and optimistic towards the residential property market with the environment of low mortgage rates, tight supply in the urban and luxurious areas, as well as strong domestic household demand.

LETTER FROM THE BOARD

There are many difficulties in the operating environment, but they breed development opportunities as well. The business growth of the Group is expected to accelerate and accordingly, the positive outcomes will be gradually reflected in the future with the recovery of the worldwide economy. The Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole.

WARNING OF THE RISK OF DEALINGS IN THE ADJUSTED SHARES AND THE NIL-PAID RIGHTS SHARES

Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 29 October 2014 to Wednesday, 5 November 2014 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons dealing in the Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject to are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 29 October 2014 to Wednesday, 5 November 2014 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional and may not proceed. If in any doubt, investors should consult their professional advisers.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (as amended) (and regulations made thereunder) has been granted by the Bermuda Monetary Authority in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this Prospectus.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to the Prospectus.

Yours faithfully,
For and on behalf of
EASYKNIT ENTERPRISES HOLDINGS LIMITED
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

DIRECTORS**Particulars of Directors****Name****Address****Executive Directors**

Kwong Jimmy Cheung Tim

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Hong Kong

Lui Yuk Chu

No. 7, Braga Circuit
Kowloon
Hong Kong

Koon Ho Yan Candy

No. 7, Braga Circuit
Kowloon
Hong Kong**Non-executive Directors**

Tse Wing Chiu Ricky

House D6
Flamingo Garden
No. 7, Fei Wan Road
Fei Ngo Shan
New Territories
Hong Kong

Lai Law Kau

Flat A, 20/F., One Victory
1-3A Victory Avenue
Ho Man Tin
Kowloon
Hong Kong

Name**Address****Independent Non-executive Directors**

Kan Ka Hon

Flat D, 5/F.
Block 5, Villa Concerto
Symphony Bay
No. 530 Sai Sha Road
New Territories
Hong Kong

Lau Sin Ming

Flat D, 4th Floor
Wah Shing Building
19 Castle Peak Road
Kowloon
Hong Kong

Foo Tak Ching

Flat A, 11th Floor
Skyline Mansion
51 Conduit Road
Hong Kong**Executive Directors*****Mr. Kwong Jimmy Cheung Tim (Chairman and Chief Executive Officer)***

Mr. Kwong, aged 71, is an executive Director, chairman, and chief executive officer and authorised representative of the Company and chairman of the Executive Committee. He is also an executive director, president, chief executive officer and authorised representative, and chairman of the Executive Committee of Easyknit International. Mr. Kwong graduated from the University of Hong Kong in 1965 and was admitted as a Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive Director in 2003, and was subsequently re-designated as an executive Director in 2007. In 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 56, is an executive Director and deputy chairman of the Company and a member of the Executive Committee. She is also an executive director and vice president, and a member of the Executive Committee of Easyknit International. Ms. Lui has been involved in the textiles industry for over 30 years and has experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 2006. She is the mother of Ms. Koon Ho Yan Candy, an executive Director of the Company. Ms. Lui is also the paternal sister-in-law of Mr. Lai Law Kau, a non-executive Director of the Company.

Ms. Koon Ho Yan Candy

Ms. Koon, aged 29, is an executive Director and authorised representative of the Company and a member of the Executive Committee since 2010. She graduated from the University of Durham, England in 2007 with a Bachelor of Arts degree in Economics and Politics. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director and a member of the executive committee of Easyknit International. Ms. Koon is the daughter of Ms. Lui Yuk Chu, the deputy chairman of the Company. She is also the niece of Mr. Lai Law Kau, a non-executive Director of the Company.

Non-executive Directors***Mr. Tse Wing Chiu Ricky***

Mr. Tse, aged 56, is a non-executive Director of the Company. He is also a non-executive director of Easyknit International. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has more than 30 years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive Director and vice chairman in 2005, and was subsequently re-designated from vice chairman to chairman and appointed as chief executive officer in 2006. In 2007, Mr. Tse was re-designated from an executive Director to a non-executive Director of the Company and resigned as chairman and chief executive officer.

Mr. Lai Law Kau

Mr. Lai, aged 53, is a non-executive director of the Company since December 2013. He has been involved in the textiles industry for over 20 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. He is also a non-executive director of Easyknit International. Mr. Lai is a paternal brother-in-law of Ms. Lui, the deputy chairman of the Company, and he is also an uncle of Ms. Koon, an executive Director of the Company.

Independent Non-executive Directors***Mr. Kan Ka Hon***

Mr. Kan, aged 62, is an independent non-executive Director of the Company since 2003. He is also a member and chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee. He holds a Bachelor's Degree in Science from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (stock code: 0539).

Mr. Lau Sin Ming

Mr. Lau, aged 53, is an independent non-executive Director of the Company since 2004. He is also a member and chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and auditing and is now practising in his own name as certified public accountant.

Mr. Foo Tak Ching

Mr. Foo, aged 80, is an independent non-executive Director of the Company since 2007. He is also a member and chairman of Nomination Committee, a member of Audit Committee and Remuneration Committee. He is currently a Partner of Messrs. Liu, Choi & Chan, a firm of solicitors and notaries in Hong Kong and has been practicing in the legal field for more than 30 years. He obtained his LLB from the University of London in the United Kingdom in 1968 and his diploma in Chinese Laws from the University of East Asia in Macau in 1987. Mr. Foo was admitted as a solicitor in England and Wales in 1972 and in Hong Kong in 1973 and admitted as a barrister and solicitor in the State of Victoria, Australia in 1982. He is a Notary Public and a China Appointed Attesting Officer.

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business	Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Lee Po Wing (<i>LL.B.</i>)
Authorised representatives	Kwong Jimmy Cheung Tim Flat F, 25th Floor Block 5, Hanford Garden 333 Castle Peak Road Castle Peak Bay Tuen Mun New Territories Hong Kong Koon Ho Yan Candy No. 7, Braga Circuit Kowloon Hong Kong

Legal advisers to the Company	<i>As to Hong Kong law:</i> David Norman & Co 22B Man On Commercial Building 12-13 Jubilee Street Central Hong Kong <i>As to Bermuda law:</i> Appleby 2206-19 Jardine House 1 Connaught Place, Central Hong Kong
Auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrar and transfer office in Bermuda	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong OCBC Wing Hang Bank 161 Queen's Road Central Hong Kong

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are expected to be as follows:

Authorised:

<u>20,000,000,000</u>	Adjusted Shares	<u>HK\$200,000,000.00</u>
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Issued and fully-paid:

56,266,559	Adjusted Shares in issue as at the Latest Practicable Date	HK\$562,665.59
450,132,472	Rights Shares to be issued pursuant to the Rights Issue	HK\$4,501,324.72
<u>506,399,031</u>	Adjusted Shares in issue immediately following the Rights Issue	<u>HK\$5,063,990.31</u>

Each of the Adjusted Shares in issue ranks pari passu with all other Adjusted Shares in all respects including as to rights to dividends, voting and return of capital. The Rights Shares to be issued pursuant to the Rights Issue, when allotted, issued and fully-paid or credited as fully-paid, will rank pari passu in all respects with the Adjusted Shares then in issue including as to the right to receive future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Adjusted Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed herein, no share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

Save for the convertible note, the Company has no outstanding warrants, share options or other securities which are convertible into or giving rights to subscribe for Adjusted Shares.

1. FINANCIAL SUMMARY OF THE GROUP**(i) Annual reports of the Group**

The published audited consolidated financial statements of the Group for the years ended 31 March 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the year ended 31 March 2012, 2013 and 2014, which can be accessed on the website of the Company (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

(ii) Management discussion and analysis of the financial performance of the Group for the three years ended 31 March 2012, 2013 and 2014

For the year ended 31 March 2013 as compared to the year ended 31 March 2012

Overall

For the year ended 31 March 2013, the Group recorded a turnover of HK\$223,756,000, representing a decrease of HK\$63,160,000 or 22.0% from HK\$286,916,000 for the year 2012. Profit attributable to owners of the Company for the year ended 31 March 2013 amounted to HK\$4,695,000 (2012: loss of HK\$34,762,000). The profit was mainly attributable to, among other things, a profit of HK\$26,617,000 arising on discontinued operations of bleaching, dyeing and knitting businesses by deregistering two PRC subsidiaries; the turn from loss to gain of HK\$5,758,000 on fair value changes of investments held for trading; and no further impairment losses recognised on goodwill and intangible assets in the garment sourcing and exporting businesses.

The basic earnings per share for the year ended 31 March 2013 was HK\$0.024 (2012: basic loss per share of HK\$0.979).

The Board does not recommend the payment of final dividend for the year ended 31 March 2013 (2012: nil).

During the year ended 31 March 2013, the Group was principally engaged in the business of garment sourcing and exporting businesses, property investments, investment in securities and loan financing.

Geographical analysis of turnover

During the year ended 31 March 2013, turnover from garment sourcing and exporting businesses was mainly derived from customers in the USA. Rental income from the investment properties were derived from properties located in Hong Kong and the PRC.

(i) *Garment sourcing and exporting businesses*

For the year ended 31 March 2013, this segment recorded a turnover of HK\$211,770,000 (2012: HK\$280,918,000) representing 24.6% decrease comparing with 2012. Cost of sales for the year amounted to HK\$190,157,000 (2012: HK\$256,138,000). The loss of HK\$1,601,000(2012: loss of HK\$61,799,000) was mainly due to the decrease of turnover despite the Company's efforts to improve the profit margin.

(ii) *Property investments*

Turnover from the property investments segment increased by 96.4% to HK\$11,780,000 for the year ended 31 March 2013 as compared to 2012 (2012: HK\$5,998,000) of which HK\$7,492,000 and HK\$4,288,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover primarily are attributed to the acquisition of the investment properties; the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Group has two blocks of factory premises and four blocks of dormitories with a total gross floor area of 52,624 sq.m. in Huzhou, PRC. In addition, the construction works on a new factory block target to be completed by mid 2013.

(iii) *Investment in securities*

The Group has maintained a portfolio of listed securities in Hong Kong which are held for investments and for the year ended 31 March 2013, this segment has recorded a gain of HK\$7,472,000.

Liquidity and financial resources

As at 31 March 2013, the Group had bank balances and cash amounting to HK\$277,411,000 (2012: HK\$205,477,000). The gearing ratio of the Group was 0.21 (2012: nil). As at 31 March 2013, the Group's current ratio was 11.9 (2012: approximately 7.1) which was calculated on the basis of current assets of HK\$373,464,000 (2012: HK\$290,253,000) to current liabilities of HK\$31,298,000 (2012: HK\$41,012,000). During the year ended 31 March 2013, the Group financed its projects and operation primarily through shareholders equity and bank borrowings.

Capital structure

- (i) On 12 June 2012, the Company completed the placing of 97,470,000 new shares to not less than six places at a placing price of HK\$0.141 per share. The Company raised HK\$13,606,000 (net of expenses).

- (ii) On 31 July 2012, the Company completed the placing of 114,700,000 new shares to not less than six places at a placing price of HK\$0.106 per share. The Company raised HK\$12,037,000 (net of expenses).
- (iii) On 3 October 2012, the Company completed the raising of HK\$29,229,000 (net of expenses) by way of rights issue of 381,428,337 rights shares at the subscription price of HK\$0.077 per rights share on the basis of 1 rights share for every 2 shares held.
- (iv) On 10 December 2012, the Company completed the capital reorganization, among other things, to consolidate every 20 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$0.20 each; and on 11 January 2013, completed the raising of HK\$113,875,000 (net of expenses) by way of the rights issue of 286,071,250 rights shares at a subscription price of HK\$0.40 per rights share on the basis of 5 rights shares for every one share held.
- (v) On 18 February 2013, the Company completed the placing of 68,656,000 new shares to not less than six places at a placing price of HK\$0.44 per share. The Company raised HK\$29,906,000 (net of expenses).

As at 31 March 2013, the total number of issued ordinary shares of the Company was 411,941,500 (2012: 550,686,675 shares).

Charge on assets

As at 31 March 2013, bank loans amounting to HK\$168,687,000 (2012: nil) were secured by the investment properties of the Group having a net book value of HK\$372,000,000.

Material acquisitions and disposals

During the year ended 31 March 2013, the Group has acquired 5 properties in 15 Matheson Street and a property at ground floor of 6 Cannon Street, Causeway Bay, Hong Kong. Furthermore, the Group has completed the deregistration of 2 PRC subsidiaries, namely Easyknit Dyeing and Printing (Huzhou) Co., Limited and Easyknit Weaving (Huzhou) Co., Limited, in April 2012. The deregistration of the aforesaid 2 subsidiaries was resolved by the directors in November 2009 to cease the bleaching, dyeing and knitting businesses in the PRC.

Exposure on foreign exchange fluctuations

Most of the Group's revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2013 (2012: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2013, the Group spent HK\$279,422,000 (2012: HK\$2,243,000) on the acquisition of investment properties.

As at 31 March 2013, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$5,016,000 (2012: HK\$171,850,000).

Employees

As at 31 March 2013, the Group had 39 employees (2012: 43). Staff costs (including directors' emoluments) amounted to HK\$13,705,000 for the year ended 31 March 2013 (2012: HK\$14,515,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

Prospects

Looking ahead to 2013/14, the global economy is going to be faced with a number of uncertainties, which stems from the negative news on the European and American debt crisis from time to time, the softer-than-expected pace of economic recovery in the US and Japan, plus the slowdown in rate of economic growth in the PRC. Therefore, the Board estimates that the investment and business landscape will remain challenging in the coming year.

The operating environment of the garment sourcing and exporting businesses was still challenging due to record high price of cotton, continued appreciation of Renminbi against US dollars and overall price surge resulting from inflation. However, the Company will continue to enhance its competitiveness by providing customers with more products of better quality and design.

For the property investment, although the newly launched tax measures on residential flats to buyers in Hong Kong will inevitably cause adverse impact on the residential property market in short run, the underlying housing demand is anticipated to remain strong due to the continuing demographic development, low mortgage rates and limited supply of new units. To better the position to cope with the uncertainties on global economy and changing local policy, the Group will continue seeking opportunities in the acquisition of properties in good locations, keep on revising and adjusting development plans, marketing

strategies to tackle the changes in the market conditions. The Group expected that revenue and contribution from property investment segment would continue to grow and become one of the Group's major recurring and reliable income sources.

With regard to the securities investment business, the Board will stick to a prudent principle in its investment strategy in focusing on investment vehicles which are relatively lower risks in order to secure stable returns at a minimal risk.

Going forward, the Group will vigilantly strengthen its core business and operations with a view to undertaking steady progress in a constantly challenging market. In addition, the Group will keep on exploring the investment opportunities in hotel and service apartment projects; notwithstanding, the Company currently has not identified any specific acquisition target. As in the past, the Group will stay in alerted caution, solidify its financial and asset positions, and continue to intensify its investment in properties so as to transform the potential value of the investments into a shareholders' value, generating sustained revenue for the shareholders.

For the year ended 31 March 2014 as compared to the year ended 31 March 2013

Overall

For the year ended 31 March 2014, the Group recorded a turnover of HK\$156,940,000, representing a decrease of HK\$66,816,000 or 29.9% from HK\$223,756,000 for the year 2013. Loss attributable to owners of the Company for the year ended 31 March 2014 amounted to HK\$2,541,000 (2013: profit of HK\$4,695,000). The loss was mainly attributable to a change from gain of HK\$5,758,000 to a loss of HK\$2,877,000 on fair value changes of investments held for trading; and loss of HK\$1,439,000 on fair value changes of financial assets designated at fair value through profit or loss. Despite there was a significant decrease in loss on changes in fair value of investment properties but there was no one off gain arising from the discontinued operations, therefore the Group still recorded a loss for the year ended 31 March 2014 as compared to the previous year.

The basic loss per share from continuing and discontinued operations for the year ended 31 March 2014 was HK\$0.012 (2013: basic earnings per share of HK\$0.194).

The Board does not recommend the payment of final dividend for the year ended 31 March 2014 (2013: nil).

During the year, the Group was principally engaged in the business of garment sourcing and export businesses, property investments, investment in securities and loan financing.

Geographical analysis of turnover

During the year ended 31 March 2014, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties were derived from properties located in Hong Kong and the People's Republic of China ("PRC").

(i) Garment sourcing and export businesses

For the year ended 31 March 2014, this segment recorded a turnover of HK\$142,138,000 (2013: HK\$211,770,000) representing 32.9% decrease comparing with year 2013. Cost of sales for the year ended 31 March 2014 amounted to HK\$126,790,000 (2013: HK\$190,157,000). The loss of HK\$4,908,000 (2013: loss of HK\$1,601,000) was mainly due to the decrease of turnover despite the Company's efforts to improve the profit margin.

(ii) Property investments

Turnover from the property investments segment increased by 18.2% to HK\$13,927,000 for the year ended 31 March 2014 (2013: HK\$11,780,000) of which HK\$8,307,000 and HK\$5,620,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Group has three blocks of factory premises and four blocks of dormitories with a total gross floor area of approximately 63,891 sq.m. in Huzhou, PRC; further construction works are on hand.

(iii) Investment in securities

The Group has maintained a portfolio of listed equity securities in Hong Kong with available-for-sale investments and investments held for trading. For the year ended 31 March 2014, this segment has recorded a loss of HK\$1,738,000 (2013: profit of HK\$7,472,000).

Liquidity and financial resources

As at 31 March 2014, total assets of the Group amounted to HK\$1,389,502,000 (2013: HK\$1,003,979,000). In terms of financial resources as at 31 March 2014, the Group's total bank balances and cash was HK\$589,458,000 (2013:

HK\$277,411,000), of which, approximately RMB61 million (equivalent to approximately HK\$75 million) was tied up in the PRC as investment capital.

The Company's capital base has been strengthened as a result of a total net proceeds of approximately HK\$386,700,000 raised through the completion of issuing rights shares of approximately HK\$122,000,000 and approximately HK\$146,000,000 on 19 June 2013 and 13 December 2013 respectively; by the completion of placing new shares of approximately HK\$20,000,000 on 24 September 2013; and by the completion of issuing convertible note of approximately HK\$98,700,000 on 27 March 2014.

As at 31 March 2014, the Group has total bank borrowings of HK\$161,902,000 (2013: HK\$168,687,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.14 (2013: 0.21). As at 31 March 2014, the Group's current ratio was 19.7 (2013: 11.9).

The Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund raising

- (i) On 11 September 2013, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 329,540,000 placing shares to independent investors at a placing price of HK\$0.063 per share.

The placing was completed on 24 September 2013 and the entire 329,540,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$20,000,000 and intended to be utilised as the general working capital, as at the date of the announcement, the same has been fully deployed as general working capital.

- (ii) On 27 March 2014, the Company completed the issue of a convertible note (the "Convertible Note") in an aggregate principal amount of HK\$100,000,000 to Goodco Development Limited, which is a substantial shareholder of the Company. The net proceeds of approximately HK\$98,700,000 raised from the issue of the Conversion Note is intended to be applied for the acquisition and redevelopment of the buildings located at No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong.

As at 31 March 2014, the total number of issued ordinary shares of the Company was 296,595,900 shares (2013: 411,941,500 shares).

Details of Convertible Note

On 3 April 2014, the conversion rights attaching to the Convertible Note have been partially exercised for HK\$20,000,000 and a total of 29,411,764 conversion shares were issued upon conversion. Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the Convertible Note has been adjusted from HK\$0.68 per share to HK\$0.66 per share.

Charge on assets

As at 31 March 2014, the Group had bank loans amounting to HK\$161,902,000 (2013: HK\$168,687,000) which were secured by the investment properties of the Group with an aggregate net book value of HK\$372,000,000 (2013: HK\$372,000,000).

Material acquisitions and disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2014.

Exposure on foreign exchange fluctuations

Most of the Group's revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2014 (2013: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2014, the Group spent approximately HK\$551,000 (2013: HK\$8,915,000) on the acquisition of property, plant and equipment, and spent approximately HK\$28,410,000 (2013: HK\$279,422,000) on addition of investment properties.

As at 31 March 2014, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$14,311,000 (2013: HK\$5,016,000).

Changes in fair value of investment properties

During the year ended 31 March 2014, there was a decrease of 97.9% in the loss on changes in fair value of investment properties to HK\$660,000 (2013: loss of HK\$30,790,000).

Finance costs

Finance costs was HK\$4,577,000, increased by HK\$487,000 or 11.9% for the year from HK\$4,090,000 in 2013.

Employees

As at 31 March 2014, the Group had 38 employees (2013: 39). Staff costs (including directors' emoluments) amounted to HK\$15,107,000 for the year under review (2013: HK\$13,705,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

Events after the reporting period

- (i) On 30 April 2014, the Company entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated at the Ground Floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000. The completion of the sale and purchase is scheduled to be taken place on or before 29 August 2014; and the shareholders' approval has been obtained in the special general meeting of the Company held on 18 June 2014.
- (ii) On 6 June 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 65,200,000 placing shares to independent investors at a placing price of HK\$0.35 per share.

The placing was completed on 18 June 2014 and the entire 65,200,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$22,500,000 and intended to be used as the general working capital.

- (iii) Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the Convertible Note has been adjusted from HK\$0.68 per share to HK\$0.66 per share.

Prospects

Looking forward to year 2014/15, despite of a number of uncertainties are still affecting the global financial market, such as adjustments to the macroeconomic policies of major economies and geopolitical tensions, the low interest environment is likely to continue, which favours the economic recovery. The global economy is on the track of more solid economic recovery proven by the major indicators. The unemployment rate of the US economy is improved. European countries are also showing signs of upturn. It is expected that China will continue with its medium to high speed of economic growth with the support of full-scale commencement of internal reforms and the determination of macroeconomic policies.

Increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The Group is dedicated to maintain good and close relationship with valuable customers, strengthen its current sales and marketing strategies to meet the prevailing trend of the garment industry, and explore new markets and increase profit margins.

The residential property market continues to be quiet since the introduction of the various control policies by the local government. Nevertheless, the Group remains confident and optimistic towards the residential property market with the environment of low mortgage rates, tight supply in the urban and luxurious areas, as well as strong domestic household demand.

There are many difficulties in the operating environment, but they breed development opportunities as well. The business growth of the Group is expected to accelerate and accordingly, the positive outcomes will be gradually reflected in the future with the recovery of the worldwide economy. The Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Capital Reorganisation, the S&P Agreement and the Rights Issue 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 Prospectus in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 31 August 2014, being the latest practicable date for ascertaining the information prior to the printing of this Prospectus, the Group has outstanding bank borrowings of approximately HK\$159.2 million, which was

guaranteed by the Company and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$159.0 million and interest payable of approximately HK\$0.2 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 August 2014 any debt securities authorised or created by unissued, 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. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the annual report of the Company for the year ended 31 March 2014, the Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole.

Looking forward to year 2014/15, despite of a few uncertainties of the global economics, such as the adjustments to the macroeconomic policies of major economies and geopolitical tensions, the low interest rate environment is likely to continue, which favours the economic recovery. As the United States' unemployment rate has improved, the European countries are also showing signs of upturn, and China is expected to maintain its medium to high speed of economic growth, the global economy is on track for more solid economic recovery.

For the Group's garment business, increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The Group is dedicated to maintain good and close relationship with valuable customers, to strengthen its current sales and marketing strategies in order to meet the prevailing trend of the garment industry, to explore new markets and to increase profit margins.

For the Group's real estate business, the residential property market continues to be quiet since the introduction of the various control policies by the local government. Nevertheless, the Group remains cautiously optimistic towards the residential property market with the environment of low mortgage rates, tight supply in the urban and luxurious areas, as well as strong domestic household demand.

Although there seem to be many difficulties present in the operating environment of the Company, these difficulties have often bred opportunities for further development of the Company's business. Hence, the business growth is expected to increase accordingly and the outcomes of such growth will be gradually reflected in the future with the recovery of the worldwide economy.

5. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date, save as mentioned below:

- (i) As disclosed in the announcement of the Company on 3 April 2014, the Company received notice from Goodco, requesting for the conversion of the convertible note in the principal amount of HK\$20.0 million.
- (ii) As disclosed in the Company's announcement on 30 April 2014, the Company, through its indirectly held wholly-owned subsidiary, acquired the ground floor of No.15 Matheson Street, Causeway Bay, Hong Kong, comprising shops A and B with a total saleable area of approximately 675 sq. ft.
- (iii) As disclosed in the joint announcement of the Company and Easyknit International dated 18 June 2014, the Company raised approximately HK\$22.5 million by way of placing of new shares under general mandate.
- (iv) As disclosed in the joint announcement of the Company and Easyknit International dated 22 August 2014, the Company raised approximately HK\$23.1 million by way of placing of new shares under general mandate.
- (v) As disclosed in the announcement of the Company on 29 August 2014, the Company received notice from Goodco, requesting for the conversion of the convertible note in the principal amount of HK\$60.0 million.

There has not been any interruption in the business of the Company which may have or have had a material adverse effect on the financial position of the Company in the 12 months immediately preceding the date of the Prospectus.

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in the Prospectus.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

27 October 2014

The Directors
Easyknit Enterprises Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Kingbest Capital Holdings Limited (the “Target Company”) and its subsidiary (hereinafter collectively referred to as the “Target Group”) for each of the three years ended 31 March 2014 (the “Relevant Periods”), for inclusion in the prospectus issued by Easyknit Enterprises Holdings Limited (the “Company”) dated 27 October 2014 in connection with the proposed rights issue of 450,132,472 rights shares of HK\$0.01 each at HK\$0.70 per rights share on the basis of eight rights shares for every one adjusted share of the Company (the “Prospectus”).

The Target Company was incorporated with limited liability in the British Virgin Islands (the “BVI”) on 8 April 2009 and became a wholly-owned subsidiary of the Easyknit International Holdings Limited since 6 October 2009.

At the end of the respective reporting periods and the date of this report, the Target Company has interest in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Target Group			Date of this report	Principal activity
			2012	2013	2014		
Total Expect Limited (“Total Expect”)	BVI 22 May 2012	Ordinary share US\$1	—	100%	100%	100%	Property development
On Channel International Limited (“On Channel”)	Hong Kong 22 July 2011	Ordinary share HK\$1	100%	—	—	—	Inactive

No statutory financial statements have been prepared for the Target Company since its date of incorporation as it was incorporated in the BVI where there is no statutory audit requirement. The financial statements of Total Expect from 22 May 2012 (date of incorporation) to 31 March 2013 and the year ended 31 March 2014 and the statutory financial statements of On Channel for the period from 22 July 2011 (date of incorporation) to 31 March 2012 were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Prospectus. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Group as at 31 March 2012, 2013 and 2014, and of the results and cash flows of the Target Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>NOTES</i>	Year ended 31 March		
		2012	2013	2014
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other income	7	6,545	840,858	1,603,587
Gain on disposal of a subsidiary	16	—	8,457	—
Administrative and other expenses		<u>(110,117)</u>	<u>(294,580)</u>	<u>(316,722)</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Target Company	8	<u><u>(103,572)</u></u>	<u><u>554,735</u></u>	<u><u>1,286,865</u></u>

Consolidated Statements of Financial Position

		At 31 March		
	NOTES	2012 HK\$	2013 HK\$	2014 HK\$
Current assets				
Properties held for or under development for sale	11	—	236,866,642	296,598,516
Trade and other receivables	12	—	991,928	1,062,801
Bank balances		19,896	1,090,202	125,429
		<u>19,896</u>	<u>238,948,772</u>	<u>297,786,746</u>
Current liabilities				
Other payables		65,000	113,697	76,064
Rental deposits received		—	355,800	317,400
Amount due to ultimate holding company	13	663,425	238,605,733	296,236,533
Amount due to a fellow subsidiary	13	—	27,336	23,678
		<u>728,425</u>	<u>239,102,566</u>	<u>296,653,675</u>
Net current (liabilities) assets		<u>(708,529)</u>	<u>(153,794)</u>	<u>1,133,071</u>
Capital and reserves				
Share capital	14	8	8	8
Accumulated (losses) profits		<u>(708,537)</u>	<u>(153,802)</u>	<u>1,133,063</u>
(Deficit) equity attributable to owners of the Target Company		<u>(708,529)</u>	<u>(153,794)</u>	<u>1,133,071</u>

Consolidated Statements of Changes in Equity

	Share capital <i>HK\$</i>	Accumulated (losses) profits <i>HK\$</i>	2014 Total <i>HK\$</i>
At 1 April 2011	8	(604,965)	(604,957)
Loss and total comprehensive expense for the year	<u>—</u>	<u>(103,572)</u>	<u>(103,572)</u>
At 31 March 2012	8	(708,537)	(708,529)
Profit and total comprehensive income for the year	<u>—</u>	<u>554,735</u>	<u>554,735</u>
At 31 March 2013	8	(153,802)	(153,794)
Profit and total comprehensive income for the year	<u>—</u>	<u>1,286,865</u>	<u>1,286,865</u>
At 31 March 2014	<u><u>8</u></u>	<u><u>1,133,063</u></u>	<u><u>1,133,071</u></u>

Consolidated Statements of Cash Flows

	NOTE	Year ended 31 March		
		2012 HK\$	2013 HK\$	2014 HK\$
Cash flows from operating activities				
(Loss) profit for the year		(103,572)	554,735	1,286,865
Adjustment for:				
Gain on disposal to a subsidiary	16	—	(8,457)	—
Operating cash flows before movements in working capital		(103,572)	546,278	1,286,865
Increase in properties held for development for sale		—	(236,866,642)	(59,731,874)
Increase in trade and other receivables		—	(991,928)	(70,873)
Increase (decrease) in other payables		5,000	53,697	(37,633)
Increase (decrease) in rental deposits received		—	355,800	(38,400)
Increase (decrease) in amount due to a fellow subsidiary		—	27,336	(3,658)
Net cash used in operating activities		(98,572)	(236,875,459)	(58,595,573)
Net cash used in investing activity				
Net cash outflow from disposal of a subsidiary	16	—	(6,543)	—
Net cash from financing activities				
Advance from ultimate holding company		110,300	237,952,308	57,630,800
Net increase (decrease) in cash and cash equivalents		11,728	1,070,306	(964,773)
Cash and cash equivalents at beginning of the year		8,168	19,896	1,090,202
Cash and cash equivalents at end of the year, represented by bank balances		19,896	1,090,202	125,429

Notes to Financial Information

1. GENERAL

Kingbest Capital Holdings Limited (the “Target Company”) is a private limited company incorporated in the British Virgin Islands. The Target Company’s immediate holding company is Easyknit Properties Holdings Limited, a company also incorporated in the British Virgin Islands. The Target Company’s ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Target Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the address of its principal place of business is Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Target Company acts as an investment holding company and the principal activities of its subsidiaries are as follows:

- Total Expect which is engaged in property development; and
- On Channel which is engaged in property holding.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Target Company had given careful considerations to the future liquidity of the Target Group in light of the fact that as at 31 March 2012 and 2013, the Target Group was in net capital deficit position and its current liabilities exceeded its current assets by approximately HK\$708,529 and HK\$153,794 respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Group to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and connected transaction of entire issued share capital of the Target Company (the “Very Substantial Acquisition”), the directors of the Target Company are confident that the Target Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

The Target Group’s operating activities are attributable to a single reporting and operating segment focusing on property development. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies as disclosed in note 4 that are regularly reviewed by the directors of the Target Company.

The directors of the Target Company review the overall results of the Target Group as a whole to make decisions about resources allocation. Accordingly, no analysis of the single reporting segment is presented.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2013.

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ³
HKFRS 14	Regulatory deferral accounts ⁵
HKFRS 15	Revenue from contracts with customers ⁷
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 — 2012 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 — 2013 cycle ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 — 2014 cycle ⁶
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁶
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁶
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁶
Amendments to HKAS 16 and HKAS 41	Agriculture: Beaser plants ⁶
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 27	Equity method in separate financial statements ⁶
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC) — INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or effective after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2016.

⁷ Effective for annual periods beginning on or after 1 January 2017.

The directors of the Target Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services. The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from letting of properties in the normal course of business.

Properties held for or under development for sale

Properties held for or under development for sale are classified as current assets and stated at the lower of cost and net realisable value.

Costs relating to the development of properties, including purchase costs of the properties for development and development costs, are capitalised and included as inventories of properties until such time when they are completed.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and amounts due to related parties) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Informations and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. CAPITAL RISK MANAGEMENT

The directors of Target Company manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of debts, which includes amount due to ultimate holding company and amount due to a fellow subsidiary as disclosed in note 13, cash and cash equivalents and equity attributable to owners of the Target Company.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through new share issues as well as raising of debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Year ended 31 March		
	2012 HK\$	2013 HK\$	2014 HK\$
Financial assets			
Loans and receivables (including cash and cash equivalents)			
Trade and other receivables	—	30,800	108,800
Bank balances	19,896	1,090,202	125,429
	<u>19,896</u>	<u>1,121,002</u>	<u>234,229</u>
Financial liabilities			
Amortised cost			
Other payables	—	25,600	—
Amount due to ultimate holding company	663,425	238,605,733	296,236,533
Amount due to a fellow subsidiary	—	27,336	23,678
	<u>663,425</u>	<u>238,658,669</u>	<u>296,260,211</u>

Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, bank balances, other payables, rental deposits received and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances. The management considers the Target Group does not have significant exposure to cash flow interest rate risk for the year ended 31 March 2012, 31 March 2013 and 31 March 2014 because the increase or decrease of interest income from bank accounts as a result of a reasonably possible change in interest rate is not significant. Therefore, no sensitivity analysis has been presented.

Credit risk

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Target Group had concentration of credit risk as the Target Group's trade receivables as at 31 March 2013 and 31 March 2014 of HK\$12,000 and HK\$100,000, respectively, were derived from a few tenants. In order to minimise the credit risk, the directors of the Target Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Target Group's credit risk on trade receivables is significantly reduced.

The credit risk for bank balances exposed is considered minimal as such amount is placed with a banks with good credit rating.

Liquidity risk

The Target Group relies on the ultimate holding company as a significant source of liquidity. Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Group to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the Very Substantial Acquisition, the directors of the Target Company are confident that the Target Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

The following table details the Target Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average effective interest rate %	Less than one year or repayable on demand HK\$	Total undiscounted cash flows and carrying amount at 31 March HK\$
<u>2012</u>			
Non-derivative financial liabilities			
Amount due to ultimate holding company	—	663,425	663,425
		<u>663,425</u>	<u>663,425</u>
<u>2013</u>			
Non-derivative financial liabilities			
Other payables	—	25,600	25,600
Rental deposits received	—	355,800	355,800
Amount due to ultimate holding company	—	238,605,733	238,605,733
Amount due to a fellow subsidiary	—	27,336	27,336
		<u>239,014,469</u>	<u>239,014,469</u>
<u>2014</u>			
Non-derivative financial liabilities			
Rental deposits received	—	317,400	317,400
Amount due to ultimate holding company	—	296,236,533	296,236,533
Amount due to a fellow subsidiary	—	23,678	23,678
		<u>296,577,611</u>	<u>296,577,611</u>

Fair value of financial instruments that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

7. OTHER INCOME

The amounts mainly represent rental income received or receivable from leasing of properties held for development for sale prior to commencement of property redevelopment work during the Relevant Periods.

8. (LOSS) PROFIT FOR THE YEAR

	Year ended 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit for the year has been arrived at after charging:			
Auditor's remuneration			
Current year	65,000	40,000	30,000
Overprovision in prior years	—	(40,000)	(10,000)
	<u>65,000</u>	<u>—</u>	<u>20,000</u>
Directors' remuneration	—	—	—
Legal and professional fees	31,376	208,640	19,440
and after crediting:			
Gross rental income from properties held for development for sale	<u>—</u>	<u>828,358</u>	<u>1,600,963</u>

9. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information as the Target Group has no assessable profit during the Relevant Periods.

Taxation for the year can be reconciled to the results per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit for the year	<u>(103,572)</u>	<u>554,735</u>	<u>1,286,865</u>
Tax (credit) charge of Hong Kong Profits			
Tax at 16.5%	(17,089)	91,531	212,333
Tax effect of expenses not deductible for tax purpose	3,501	33,000	—
Tax effect of income not taxable for tax purpose	—	(1,395)	—
Tax effect of tax losses not recognised for tax purpose	13,588	471,929	544,027
Others	<u>—</u>	<u>(595,065)</u>	<u>(756,360)</u>
Taxation for the year	<u>—</u>	<u>—</u>	<u>—</u>

The Target Group has unused tax losses of approximately HK\$0.2 million, HK\$3.1 million and HK\$6.4 million as at 31 March 2012, 31 March 2013 and 31 March 2014 respectively. The losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

10. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has not been presented as such information is not meaningful having regard to the purpose of this report.

11. PROPERTIES HELD FOR OR UNDER DEVELOPMENT FOR SALE

	<i>HK\$</i>
At 1 April 2011 and 31 March 2012	—
Additions (<i>Note</i>)	<u>236,866,642</u>
At 31 March 2013	236,866,642
Additions	<u>59,731,874</u>
At 31 March 2014	<u><u>296,598,516</u></u>

At 31 March 2013 and 31 March 2014, the properties held for development for sale of HK\$236,866,642 and properties under development for sale of HK\$296,598,516 respectively were included in the Target Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Target Group's normal operating cycle for properties development. At 31 March 2014, the properties were already under development works.

At the end of each reporting period, the Target Group performed impairment assessment on its properties held for development for sale to assess their net realisable values with reference to valuations made by independent qualified professional property valuers not related to the Target Group. The valuations were arrived at by using the direct comparison method. As the net realisable values of the properties held for development are higher than their carrying amounts at the end of each reporting period, the directors of the Target Company are of the opinion that no impairment on these properties is considered necessary.

Note:

The additions during the year ended 31 March 2013 included an amount of HK\$61,750,000 arising from an acquisition of Total Expect which held certain property interests. This transaction is for the purpose of acquiring the property interests which were properties held for development for sale in the ordinary course of business, and has been accounted for as a purchase of assets rather than business combination. As such, the cash consideration of HK\$61,750,000 for acquisition of Total Expect is reflected in the cash flows used in the operating activities for the year ended 31 March 2013. On the date of acquisition, assets included deposits paid for acquisition of properties amounting to HK\$12,850,000, and liabilities of the amount due to a former Shareholder amounting to HK\$12,850,000. Any additional consideration paid was treated as part of the purchase cost of the property interests. Further details of this transaction are set out in a circular of the Company dated 19 July 2012.

12. TRADE AND OTHER RECEIVABLES

	At 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	—	12,000	100,000
Prepaid development costs	—	961,128	954,001
Other receivables	—	18,800	8,800
	<u>—</u>	<u>991,928</u>	<u>1,062,801</u>

The Target Group do not allow credit period to its tenants as the monthly rentals are payable in advance. The management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of good credit quality.

All of the Target Group's trade receivables are past due at the reporting date for which the Target Group has not provided for allowance. The Target Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	At 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Overdue by 1 to 60 days	—	12,000	46,656
Overdue by 61 to 90 days	—	—	28,344
Overdue by over 90 days	—	—	25,000
	<u>—</u>	<u>12,000</u>	<u>100,000</u>

No allowance is made for trade receivables that are past due but not impaired at the end of each reporting period as the amounts are expected to be subsequently recovered after the end of each reporting period.

13. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

Authorised:

50,000 ordinary shares of US\$1 each at 1 April 2011, 31 March 2012,
31 March 2013 and 31 March 2014

US\$50,000

Issued and fully paid:

One ordinary share of US\$1 at 1 April 2011, 31 March 2012, 31 March
2013 and 31 March 2014

US\$1

Shown in the Financial Information as

HK\$8

15. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2012, the Target Company transferred its properties held for development for sale whose carrying amount was to HK\$65,844,262 to a fellow subsidiary. The consideration for the transfer was their carrying amounts, which were settled through reduction of the outstanding amounts in the current accounts owing to the immediate holding company and ultimate holding company.

16. DISPOSAL OF A SUBSIDIARY

On 19 June 2012, the Target Company disposed of its entire 100% equity interest in On Channel to a fellow subsidiary at nil consideration. The net assets of On Channel at the date of disposal were as follows:

	At date of disposal
	<i>HK\$</i>
Net assets (liabilities) disposed of:	
Bank balances and cash	6,543
Other payables	(5,000)
Amount due to ultimate holding company	<u>(10,000)</u>
	(8,457)
Gain on disposal of a subsidiary	<u>8,457</u>
Consideration	<u>—</u>
Analysis of the net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Bank balances and cash disposed of	<u>(6,543)</u>

17. OPERATING LEASE ARRANGEMENTS

At the end of each reporting period, the Target Group had contracted with tenants for the following future minimum lease payments in respect of the properties held for development under non-cancellable operating leases:

	At 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	—	746,797	440,900
In the second to fifth years inclusive	<u>—</u>	<u>—</u>	<u>75,000</u>
	<u>—</u>	<u>746,797</u>	<u>515,900</u>

Under the leases entered into by the Target Group, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2013 and 31 March 2014, the properties held have committed tenants for a term of one year and one to two years respectively.

18. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions with related parties as disclosed in note 13, 15 and 16 and those shown in the consolidated statement of financial positions, during the Relevant Periods, the Target Group entered into the following transaction with a related party:

	Year ended 31 March		
	2012	2013	2014
	HK\$	HK\$	HK\$
Estate agency fee to a fellow subsidiary	—	27,336	49,630

During the Relevant Periods, the directors' remuneration and staff costs were borne by the ultimate holding company and fellow subsidiaries respectively. In the opinion of management of the Target Group, there is no reasonable basis to allocate the staff costs attributable to the Target Group.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the companies now comprising the Target Group have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 October 2014

- (C) *The following is the management discussion and analysis of the Target Group for the three years ended 31 March 2012, 2013 and 2014.*

For the year ended 31 March 2013 as compared to the year ended 31 March 2012

Property investments

Turnover from the property investments segment increased by 100.0% to HK\$0.8 million for the year ended 31 March 2013 as compared to 2012 (2012: nil). The Target Group had completed the acquisition of 6 units at the Site during the year ended 31 March 2013 and those units had generated revenue as rental income.

Liquidity and financial resources

As at 31 March 2013, the Target Group had bank balances and cash amounting to HK\$1,090,202 (2012: HK\$19,896). As at 31 March 2013, the Target Group's current ratio was 1.0 (2012: approximately 0.03) which was calculated on the basis of current assets of HK\$238,948,772 (2012: HK\$19,896) to current liabilities of HK\$239,102,566 (2012: HK\$728,425). During the year ended 31 March 2013, the Target Group financed its projects and operation primarily through loans from ultimate holding company.

The Target Group had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$238,605,733 as at 31 March 2013 (2012: HK\$663,425).

Capital structure

During the year ended 31 March 2013, there was no change to the share capital of the Target Company.

As at 31 March 2013, the total number of issued ordinary shares of the Target Company was 1 (2012: 1 share).

Charge on assets

The Target Group did not have any charges on assets as at 31 March 2013.

Material acquisitions and disposals

During the year ended 31 March 2013, the Target Group has acquired 6 units at the Site.

Exposure on foreign exchange fluctuations

The Target Group did not have any exposure on foreign exchange fluctuation during the year under review.

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at 31 March 2013 (2012: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2013, the Target Group did not have any capital expenditure or capital commitments.

For the year ended 31 March 2014 as compared to the year ended 31 March 2013

Property investments

Turnover from the property investments segment increased by 90.7% to HK\$1,603,587 for the year ended 31 March 2014 (2013: HK\$840,858). The Target Group had acquired 2 units at the Site during the financial year under review and those units contributed to the increase of revenue for the year ended 31 March 2014.

Liquidity and financial resources

As at 31 March 2014, total assets of the Target Group amounted to HK\$297,786,746 (2013: HK\$238,948,772). In terms of financial resources as at 31 March 2014, the Target Group's total bank balances and cash was HK\$125,429 (2013: HK\$1,090,202).

The Target Group's current ratio was approximately 1.0 as at 31 March 2014 (2013: approximately 1.0) which was calculated on the basis of current asset of HK\$297,786,746 (2013: HK\$238,948,772) to current liability of HK\$296,653,675 (2013: HK\$239,102,566). During the year, the Target Group financed its operations primarily through loans from ultimate holding company.

The Target Group had an amount due to the ultimate holding company of approximately HK\$296,236,533 as at 31 March 2014 (2013: HK\$238,605,733).

Charge on assets

The Target Group did not have any charges on assets as at 31 March 2014.

Material acquisitions and disposals

During the year ended 31 March 2014, the Target Group has acquired 2 units at the Site.

Exposure on foreign exchange fluctuations

The Target Group did not have any exposure on foreign exchange fluctuation during the year under review.

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at 31 March 2014 (2013: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2014, the Target Group did not have any capital expenditure or capital commitments.

(A) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

On 5 September 2014, the Company made an announcement that Easyknit International has entered into a sale and purchase agreement with the Company. Pursuant to the agreement, Easyknit International agreed to sell its wholly-owned subsidiaries, Kingbest Capital Holdings Limited (the “Target Company”) (together with its subsidiary referred to as the “Target Group”), to the Company (the “Very Substantial Acquisition”).

On the same date, the Company proposed to have the Capital Reorganisation and the Rights Issue. The Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue were approved by the shareholders of the Company in the SGM and the Capital Reorganisation was became effective on 21 October 2014. Further details of the Very Substantial Acquisition, Capital Reorganisation and Rights Issue are set out in the Company’s circular dated 26 September 2014.

The unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2014 is prepared to illustrate the effect of the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue as if the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue had been taken place on 31 March 2014.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows of the Group for the year ended 31 March 2014 are prepared to illustrate the effect of the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue as if the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue had been taken place on 1 April 2013.

The unaudited pro forma financial information is prepared for illustrative purposes only and, because of its hypothetical nature, they may not give a true picture of the financial position of the Group had the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue been completed as at 31 March 2014 or the results or cash flows of the Group had the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue been completed on 1 April 2013.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 31 March 2014 <i>HKS '000</i> (Audited) <i>(Note 1)</i>	The Target Group as at 31 March 2014 <i>HKS '000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments		The Enlarged Group as at 31 March 2014 <i>HKS '000</i>
			<i>HKS '000</i> <i>(Note 3)</i>	<i>HKS '000</i> <i>(Note 4)</i>	
Non-current assets					
Property, plant and equipment	605	—			605
Investment properties	640,569	—			640,569
Available-for-sale investments	16,139	—			16,139
	<u>657,313</u>	<u>—</u>			<u>657,313</u>
Current assets					
Trade and other receivables	9,707	1,063			10,770
Properties held for development for sale	—	296,599		42,606	339,205
Loans receivable	17,500	—			17,500
Investments held for trading	86,902	—			86,902
Financial assets designated as at fair value through profit or loss	28,622	—			28,622
Bank balances and cash	589,458	125		(28,370)	561,213
	<u>732,189</u>	<u>297,787</u>		14,236	<u>1,044,212</u>
Current liabilities					
Trade and other payables	23,296	393			23,689
Tax payable	6,909	—			6,909
Secured bank borrowings	6,973	—			6,973
Amount due to ultimate holding company	—	296,237		(296,237)	—
Amount due to a fellow subsidiary	—	24		(24)	—
	<u>37,178</u>	<u>296,654</u>		(296,261)	<u>37,571</u>
Net current assets	<u>695,011</u>	<u>1,133</u>		310,497	<u>1,006,641</u>
Total assets less current liabilities	<u>1,352,324</u>	<u>1,133</u>		310,497	<u>1,663,954</u>
Non-current liabilities					
Convertible note	54,047	—			54,047
Deferred tax liabilities	20,254	—			20,254
Secured bank borrowings	154,929	—			154,929
	<u>229,230</u>	<u>—</u>			<u>229,230</u>
Net assets	<u>1,123,094</u>	<u>1,133</u>		310,497	<u>1,434,724</u>
Capital and reserves					
Share capital	2,966	—	(2,699)	4,501	4,768
Reserves	1,120,128	1,133	2,699	305,996	1,429,956
	<u>1,123,094</u>	<u>1,133</u>		310,497	<u>1,434,724</u>

Notes:

1. The figures are extracted from the audited consolidated statement of the financial position of the Group as at 31 March 2014, as set out in the published annual report of the Company for the year ended 31 March 2014.
2. The figures are extracted from the audited consolidated statement of the financial position of the Target Group as at 31 March 2014 as set out in Appendix III to the Prospectus relating to accountants' report of the Target Group.
3. The adjustments represent (i) a share consolidation pursuant to which every ten issued and unissued then existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each; (ii) the reduction of the nominal value of each issued consolidated share from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 paid up share capital for each consolidated share; (iii) the transfer of the credit arising from the issued capital to the contributed surplus account of the Company and (iv) the transfer of any credit balance in the contributed surplus account of the Company to set off against accumulated losses of the Company, which amounted to HK\$2,699,000.
4. The adjustments represents (i) the assumed issuance of shares under the proposed Rights Issue of 450,132,472 rights shares of HK\$0.01 each at HK\$0.70 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share of the Company, of which gross proceeds of HK\$129,053,000 payable by Easyknit International to Easyknit Enterprise is not presented in the unaudited pro forma financial statements of the Group as it is set off against the consideration payable by Easyknit Enterprises for the acquisition of the Target Group pursuant to the S&P Agreement, (ii) transaction costs attributable to issue of new shares amounting to HK\$3,092,000, which will be settled by cash, (iii) the allocation to the properties held for development for sale which is attributable by the excess of the total consideration of HK\$340,000,000 for the acquisition of the entire issued share capital of the Target Company and the outstanding loans owed by the Target Company to Easyknit Properties Holdings Limited and its subsidiary of HK\$296,261,000 in aggregate (the "shareholder's loan") over the net assets value of the Target Group of HK\$1,133,000 plus the shareholder's loan and (iv) payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$370,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

**(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**

	The Group for the year ended 31 March 2014 <i>HK\$ '000</i> (Audited) (<i>Note 1</i>)	The Target Group for the year ended 31 March 2014 <i>HK\$ '000</i> (Audited) (<i>Note 2</i>)	Pro forma adjustment <i>HK\$ '000</i> (<i>Note 3</i>)	The Enlarged Group for the year ended 31 March 2014 <i>HK\$ '000</i>
Turnover	156,940	—		156,940
Cost of goods sold and services rendered	<u>(126,790)</u>	<u>—</u>		<u>(126,790)</u>
Gross profit	30,150	—		30,150
Other income	9,224	1,604		10,828
Other gains and losses	(154)	—		(154)
Other expenses	(1,890)	—	(370)	(2,260)
Distribution and selling expenses	(3,454)	—		(3,454)
Administrative expenses	(27,075)	(317)		(27,392)
Loss on changes in fair value of investment properties	(660)	—		(660)
Loss on fair value changes of investments held for trading	(2,877)	—		(2,877)
Loss on fair value changes of financial assets designated as at fair value through profit or loss	(1,439)	—		(1,439)
Finance costs	<u>(4,577)</u>	<u>—</u>		<u>(4,577)</u>
(Loss) profit before taxation	<u>(2,752)</u>	<u>1,287</u>	(370)	<u>(1,835)</u>
Taxation	<u>211</u>	<u>—</u>		<u>211</u>
(Loss) profit for the year attributable to owners of the Company	<u>(2,541)</u>	<u>1,287</u>	(370)	<u>(1,624)</u>
Other comprehensive expense				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale investments	(740)	—		(740)
Exchange differences arising on translation of financial statements of foreign operations	<u>(192)</u>	<u>—</u>		<u>(192)</u>
Other comprehensive expense for the year	<u>(932)</u>	<u>—</u>		<u>(932)</u>
Total comprehensive (expense) income for the year attributable to owners of the Company	<u>(3,473)</u>	<u>1,287</u>	(370)	<u>(2,556)</u>

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2014, as set out in the published annual report of the Company for the year ended 31 March 2014.
2. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 March 2014 as set out in Appendix III to the Prospectus relating to accountants' report of the Target Group.
3. The adjustment represents payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$370,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition.
4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

(D) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 1)</i>	The Target Group for the year ended 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments				The Enlarged Group for the year ended 31 March 2014 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i> <i>(Note 6)</i>	
Operating activities							
(Loss) profit for the year	(2,541)	1,287		(370)			(1,624)
Adjustments for:							
Taxation credit recognised in profit or loss	(211)	—					(211)
Interest income	(6,388)	—					(6,388)
Interest expense	4,577	—					4,577
Depreciation	87	—					87
Unrealised loss on fair value changes of investments held for trading	3,698	—					3,698
Dividend income from listed investments	(2,676)	—					(2,676)
Loss on fair value change of financial assets designated as at fair value through profit or loss	1,439	—					1,439
Loss on fair value changes of investment properties	660	—					660
Operating cash flows before movements in working capital	(1,355)	1,287		(370)			(438)
Decrease (increase) in trade and other receivables	13,289	(71)					13,218
Decrease in bills receivable	153	—					153
Increase in investments held for trading	(17,696)	—					(17,696)
Decrease in trade and other payables	(1,646)	(76)					(1,722)
Increase in properties held for development for sale	—	(59,732)					(59,732)
(Decrease) increase in amount due to a fellow subsidiary	—	(4)				4	—

	The Group for the year ended 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 1)</i>	The Target Group for the year ended 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments				The Enlarged Group for the year ended 31 March 2014 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i> <i>(Note 6)</i>	
Cash (used in) from operations	(7,255)	(58,596)		(370)		4	(66,217)
Dividend received from investments held for trading	<u>2,676</u>	<u>—</u>					<u>2,676</u>
Net cash (used in) from operating activities	<u>(4,579)</u>	<u>(58,596)</u>		(370)		4	<u>(63,541)</u>
Investing activities							
Withdrawal of bank deposits with original maturity of more than three months	130,000	—					130,000
Interest received	6,388	—					6,388
Placement of bank deposits with original maturity of more than three months	(130,000)	—					(130,000)
Purchase of financial assets designated as at fair value through profit or loss	(30,061)	—					(30,061)
Addition of investment properties	(21,102)	—					(21,102)
Acquisition of the Target Group	—	—		(210,947)	1,090		(209,857)
Purchase of available-for- sale investments	(16,879)	—					(16,879)
Purchase of property, plant and equipment	<u>(551)</u>	<u>—</u>					<u>(551)</u>
Net cash (used in) from investing activities	<u>(62,205)</u>	<u>—</u>		(210,947)	1,090		<u>(272,062)</u>

	The Group for the year ended 31 March 2014 <i>HK\$ '000</i> (Audited) <i>(Note 1)</i>	The Target Group for the year ended 31 March 2014 <i>HK\$ '000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments				The Enlarged Group for the year ended 31 March 2014 <i>HK\$ '000</i>
			<i>HK\$ '000</i> <i>(Note 3)</i>	<i>HK\$ '000</i> <i>(Note 4)</i>	<i>HK\$ '000</i> <i>(Note 5)</i>	<i>HK\$ '000</i> <i>(Note 6)</i>	
Financing activities							
Proceeds from issue of new shares	292,642	—	186,039				478,681
Proceeds from issue of convertible note	100,000	—					100,000
Bank borrowings repaid	(6,785)	—					(6,785)
Interest paid	(4,485)	—					(4,485)
Transaction costs attributable to issue of new shares	(1,857)	—	(3,092)				(4,949)
Transaction costs attributable to issue of convertible note	(545)	—					(545)
Advance from ultimate holding company	—	57,631				(57,631)	—
Net cash from (used in) financing activities	<u>378,970</u>	<u>57,631</u>	182,947			(57,631)	<u>561,917</u>
Net increase (decrease) in cash and cash equivalents	312,186	(965)	182,947	(211,317)	1,090	(57,627)	226,314
Cash and cash equivalents at beginning of the year	277,411						277,411
Effect of foreign exchange rate changes	<u>(139)</u>						<u>(139)</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>589,458</u></u>						<u><u>503,586</u></u>

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 March 2014, as set out in the published annual report of the Company for the year ended 31 March 2014.
2. The figures are extracted from the audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2014 as set out in Appendix III to the Prospectus relating to accountants' report of the Target Group.
3. The adjustment represents (i) the assumed issuance of shares under the proposed Rights Issue of 450,132,472 rights shares of HK\$0.01 each at HK\$0.70 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share of the Company, of which gross proceeds of HK\$129,053,000 payable by Easyknit International to Easyknit Enterprise is not presented in the unaudited pro forma financial statements of the Group as it is set off against the consideration payable by Easyknit Enterprises for the acquisition of the Target Group pursuant to the S&P Agreement, and (ii) transaction costs attributable to issue of new shares amounting to HK\$3,092,000, which will be settled by cash.
4. The adjustments represent (i) payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$370,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition and (ii) the consideration payable to Easyknit International, net of proceeds of HK\$129,053,000 as mentioned in note 3, of HK\$210,947,000.
5. The adjustment represents the cash and cash equivalents of the Target Group acquired by the Group assuming the Very Substantial Acquisition had been taken place on 1 April 2013.
6. The adjustment represents the reversal of advance from ultimate holding company and change in amount due to a fellow subsidiary on the assumption that the current accounts with ultimate holding company and fellow subsidiary had been assigned to the Company on 1 April 2013.
7. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

**(E) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****Deloitte.**
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88 Queensway
Hong Kong**TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2014, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014, the pro forma consolidated statement of cash flows for the year ended 31 March 2014 and related notes as set out on pages IV-1 to IV-9 of the prospectus issued by the Company dated 27 October 2014 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages IV-1 to IV-9 of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition and connected transaction in relation to the (i) acquisition of Kingbest Capital Holdings Limited (together with its subsidiary referred to as “Target Group”) (the “Very Substantial Acquisition”), (ii) the proposed capital reorganisation of the Company involving the share consolidation, capital reduction and authorised capital increase as detailed in the circular issued by the Company dated 26 September 2014 (the “Capital Reorganisation”), and (iii) the proposed rights issue of 450,132,472 rights shares of HK\$0.01 each at HK\$0.70 per rights share on the basis of eight rights shares for every one adjusted share of the Company (the “Rights Issue”) on the Group’s financial position as at 31 March 2014 and the Group’s financial performance and cash flows for the year ended 31 March 2014 as if the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue had taken place at 31 March 2014 and 1 April 2013, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2014, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Very Substantial Acquisition, the Capital Reorganisation and the Rights Issue at 31 March 2014 or 1 April 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 October 2014

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in the Prospectus received from Vigers Appraisal And Consulting Limited, an independent valuer, in connection with their valuation of the Site as at 31 August 2014.

Vigers Appraisal And Consulting Limited

International Asset Appraisal Consultants

10th Floor, The Grande Building

398 Kwun Tong Road

Kwun Tong

Kowloon

Hong Kong



27 October 2014

The Directors

Easyknit International Holdings Limited, and

Easyknit Enterprises Holdings Limited

Block A, 7/F.,

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

Dear Sirs,

RE: NOS. 14 AND 16 INVERNESS ROAD, KOWLOON TONG, KOWLOON (the “Site”)

In accordance with the instructions of Easyknit International Holdings Limited (“Easyknit International”) and Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”) (collectively the “Companies”) for us to value the Site, we confirm that we have inspected the Site, 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 Site as at 31 August 2014 (“the Valuation Date”).

Our valuation is our opinion of market value of the Site which is defined as intended to mean “the estimated amount for which an asset or liability 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 valuations have been prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations have been made on the assumption that the Site was sold in the market in its 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 value of the Site. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Site.

We have valued the Site by direct comparison approach with reference to market comparables with due allowances for the differences between the comparables and the Site.

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.

The Site was inspected on 29 August 2014 by Gilbert K. M. Yuen *MHKIS MRICS RPS(GP)* of Vigers Appraisal And Consulting Limited. However, no investigations have been carried out to determine the suitability of the subsoil condition of the site for the redevelopment and we assumed that these aspects are satisfactory. Our valuation does not make allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage. No test has been made to any of the services.

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, tenure, site areas. We have had no reason to doubt the truth and accuracy of the information provided to us by Easyknit International and Easyknit Enterprises and we have been advised by Easyknit International and Easyknit Enterprises 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 Site for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Site is free from any encumbrances, restrictions and outgoing of an onerous nature which could serve to affect the values of the Site.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Gilbert K. M. Yuen
MHKIS MRICS 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

Property held by Easyknit International for future development in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 August 2014
Nos. 14 and 16 Inverness Road, Kowloon Tong, Kowloon	The property comprises two contiguous lots with a total registered site area of 8,441.5 sq.ft. (784.24 sq.m.).	According to the information provided by the Companies, as at 31 August 2014, the property is vacant. Demolition works of the existing buildings are underway which was expected to be completed in October 2014.	HK\$340,000,000
The Remaining Portion of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587 and Section C of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587	The property would be a bare site after the demolition of the two connected domestic tenements currently erected on the lots.	The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance.	The government rent is equivalent to 3% of the rateable value for the time being of the lot.

Notes:

1. The registered owner of the property is Total Expect Limited, which is a wholly-owned subsidiary of Easykint International as at the date of this report.
2. The Government Lease of New Kowloon Inland Lot No. 1587 contains inter alia the following restrictions on the development of the lot:

“And will not except with the consent of the Governor in Council previously obtained erect or cause or permit to be erected upon the said piece or parcel of ground (hereinafter referred to as “the said ground”) more than six houses And will not erect or cause or permit to be erected upon the said ground any buildings other than detached or semi-detached houses of European type And will submit the design of the exterior elevations plans and disposition of any building erected or intended to be erected on the said ground for the special approval of His said Majesty’s Director of Public Works (hereinafter referred to as “the said Director”) and will obtain the said Director’s approval thereof And will not make any alternation or addition to any buildings after plans thereof have been approved by the said Director previously obtained erect or cause or permit to be erected any building exceeding a height of thirty five feet”

3. The Site is zoned “Residential (Group C) 9 on the Kowloon Tong Outline Zoning Plan No. S/K18/18 dated 20 December 2013.

According to the explanatory note attached to the Outline Zoning Plan, on the land designated “Residential (Group C) 9”, no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment of an existing building in excess of a maximum plot ratio of 3.0 and the maximum number of storeys of 8 or the plot ratio and height of the existing building, whichever is the greater. On land based designated for “Residential (Group C) 9”, in determining the relevant maximum number of storeys, any basement floor(s) may be disregarded. ,

4. No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
5. There are no conditions stipulated in the Government Lease of the Site as to the construction of roadways, pathway, drainage, sewage and other facilities or services for public uses.
6. In assessing the market value of the Site, we have taken into consideration of the existing Government Lease conditions. No. account has been taken into the possible modification of Government Lease to allow for the higher plot ratio and the necessity payment of land premium.
7. The property is not subject to any material encumbrances, liens, pledges, mortgage, except that the building of No. 14 Inverness Road is subject to a Deed of Mutual Covenants whilst the building of No. 16 is subject to a Deed of Covenant. In addition, the Ground Floor unit and the Basement unit of No. 16 Inverness Road are subject to Sub-deed of Mutual Covenant, whilst Ground Floor and Basement unit of No. 14 Inverness Road is subject to a Notice No. WC/TE02170/08/K-R13 by the Building Authority under Section 24C(1) of the Building Ordinance. In our opinion these encumbrances would not be effective when the buildings have been demolished and become non- existence.

1. RESPONSIBILITY STATEMENT

The Prospectus, 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 the Prospectus 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 or the Prospectus misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interest in Adjusted Shares, underlying Adjusted Shares and debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Adjusted Shares, underlying Adjusted 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 Adjusted Shares held (long position)	Number of underlying Adjusted Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note i</i>)	23,045,137	8,006,405	31,051,542	55.19%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (<i>note ii</i>)	23,045,137	8,006,405	31,051,542	55.19%

Notes:

- (i) These Adjusted Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are wholly-owned subsidiaries of Easyknit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited (“**Magical Profits**”) is interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse) since 3 June 2014.

- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, is deemed to be interested in the Adjusted 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 Adjusted Shares, underlying Adjusted 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) Substantial Shareholders' interest in Adjusted Shares and underlying Adjusted Shares

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 Adjusted Shares or underlying Adjusted Shares 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 Adjusted Shares held (long position)	Number of underlying Adjusted Shares held	Total	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	23,045,137	8,006,405	31,051,542	55.19%
Landmark Profits	<i>i & ii</i>	Beneficial owner	4,714,010	—	4,714,010	8.38%
Goodeo	<i>i & ii</i>	Beneficial owner	18,331,127	8,006,405	26,337,532	46.81%
Easyknit International	<i>i & ii</i>	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Magical Profits	<i>i & iii</i>	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Winterbotham Trust	<i>i & iv</i>	Trustee	23,045,137	8,006,405	31,051,542	55.19%

Name of Shareholder	Note	Capacity	Number of Adjusted Shares held (long position)	Number of underlying Adjusted Shares held	Total	Approximate percentage of interest
Winterbotham Holdings Limited	iv	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Markson International Holdings Limited	iv	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Christopher Geoffrey Douglas Hooper	iv	Interest of controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Ivan Geoffery Douglas Hooper	iv	Interest of Controlled corporation	23,045,137	8,006,405	31,051,542	55.19%
Get Nice Securities Limited	v	Beneficial owner	265,771,376	—	265,771,376	49.73%
Get Nice Incorporated	v	Interest of controlled corporation	265,771,376	—	265,771,376	49.73%
Get Nice Holdings Limited	v	Interest of controlled corporation	265,771,376	—	265,771,376	49.73%

Notes:

- (i) In the 23,045,137 Adjusted Shares, 4,714,010 Adjusted Shares and 18,331,127 Adjusted Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit International. Goodco is also interested in 8,006,405 underlying Adjusted Shares (subject to adjustment) to be issued upon the full conversion of the convertible note. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International and it is wholly-owned by Ms. Lui Yuk Chu, a Director. Magical Profits is interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse) since 3 June 2014. Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, is deemed to be interested in the Adjusted 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, is deemed to be interested in the 23,045,137 Adjusted Shares and 8,006,405 underlying Adjusted Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors, are also directors of Landmark Profits, Goodco and Easyknit International. Ms. Koon Ho Yan Candy, being a Director, is also a Director of Easyknit International.
- (iii) Ms. Lui Yuk Chu, being a director, is also a director of Sea Rejoice Limited and Magical Profits.
- (iv) With effect from 3 June 2014, Winterbotham Trust became the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“Winterbotham Holdings”) and 25% by Markson International Holdings Limited (“Markson”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffery Douglas Hooper respectively.
- (v) 265,771,376 are the Rights Shares underwritten by the Underwriter in respect of the Rights Issue. Get Nice Securities Limited is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.

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 Adjusted Shares or underlying Adjusted Shares 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.

3. DIRECTORS' 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).

4. 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 the Prospectus and are or may be material:

- (a) the placing agreement dated 28 January 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of the Company at a placing price of HK\$0.44 per share;
- (b) the underwriting agreement dated 5 April 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 1,235,824,500 rights shares at the subscription price of HK\$0.10 per rights share;
- (c) the placing agreement dated 11 September 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of the Company at a placing price of HK\$0.063 per share;
- (d) the underwriting agreement dated 3 October 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 247,163,250 rights shares at the subscription price of HK\$0.60 per rights share;
- (e) the subscription agreement dated 16 January 2014 entered into between the Company and Goodco, the substantial shareholder of the Company and a wholly-owned subsidiary of Easyknit International as the subscriber, agreed to

- subscribe a convertible note issued by the Company in the aggregate principal amount of HK\$100,000,000 which may be converted into 147,058,823 shares of the Company at the initial conversion price of HK\$0.68 per Share (subject to adjustment);
- (f) the placing agreement dated 6 June 2014 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 65,200,000 new shares of the Company at a placing price of HK\$0.35 per share;
 - (g) the placing agreement dated 11 August 2014 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 78,000,000 new shares of the Company at a placing price of HK\$0.30 per share;
 - (h) the S&P Agreement;
 - (i) the Underwriting Agreement; and
 - (j) the supplemental agreement to the S&P Agreement entered into on 15 September 2014 by the Company and the Vendor.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2014 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. DIRECTORS' INTEREST 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.

7. LITIGATION

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.

8. EXPENSES

The expenses in connection with the Rights Issue, including the commission to the Underwriter and the relevant professional fees incurred by the Company, are estimated to be approximately HK\$3.1 million and will be payable by the Company.

9. EXPERTS AND CONSENTS

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

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

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2014 (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.

The above experts have given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion of their letters and the references to their names in the form and context in which they appear.

10. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in 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 Block 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; and
- (d) The English texts of the Prospectus and the related PAL and EAF prevails over the Chinese texts.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG
KONG**

The documents attached to the copy of the Prospectus, the PAL and the EAF and delivered to the Registrar of Company in Hong Kong for registration were written consents referred to in the paragraph headed “Experts and consents” in Appendix VI to the prospectus, and copies of the material contracts referred to in the paragraph headed “Material contracts” in Appendix VI to the prospectus.

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 Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong until 16 December 2014:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2012, 2013 and 2014;
- (c) the audited financial information of the Target Group for the three years ended 31 March 2012, 2013 and 2014 as set out in Appendix III to the Prospectus;
- (d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group upon completion of the S&P Agreement and the Rights Issue as set out in Appendix IV to the Prospectus;
- (e) the valuation report prepared by Vigers Appraisal And Consulting Limited, the text of which is set out in Appendix V to the Prospectus;
- (f) the letters of consent referred to in the paragraph headed “Experts and consents” as set out in Appendix VI to the Prospectus;
- (g) the material contracts referred to the paragraph headed “Material contracts” as set out in Appendix VI to the Prospectus; and
- (h) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and
- (i) the Prospectus Documents.