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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

This circular is for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of Easyknit Enterprises Holdings Limited.

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## EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PURCHASE OF THE TARGET GROUP;
- (2) PROPOSED CAPITAL REORGANISATION;
- (3) CHANGE IN BOARD LOT SIZE;
- (4) PROPOSED RIGHTS ISSUE ON THE BASIS OF EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD AT THE RECORD DATE; AND
- (5) NOTICE OF SPECIAL GENERAL MEETING

Underwriter of the Rights Issue



結好證券有限公司  
GET NICE SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders



大有融資有限公司  
MESSIS CAPITAL LIMITED

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 14 to 42 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 43 to 44 of this circular.

A letter from Messis Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder is set out on pages 45 to 77 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 20 October 2014 at 9:30 a.m. is set out on pages N-1 to N-5 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be adjusted and dealt in on an ex-rights basis from Wednesday, 22 October 2014. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 29 October 2014 to Wednesday, 5 November 2014 (both dates inclusive). It is expected that the conditions referred to in the section headed "Conditions of the Rights Issue" in this circular 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 Shares from the date of this circular and/or the Adjusted Shares upon the Capital Reorganisation becomes effective 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 person contemplating dealings in the Shares from the date of this circular and/or the Adjusted Shares upon the Capital Reorganisation becomes effective and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser. 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 set out under the section headed "Termination of the Underwriting Agreement" on pages 5 to 6 of this circular. 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 Easyknit Enterprises 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.

\* for identification only

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## EXPECTED TIMETABLE

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The expected timetable is set out below:

<b>Event</b>	<b>2014 (Hong Kong time)</b>
Record date for attendance and voting at the SGM . . . . .	Friday, 17 October
Latest date for lodging proxy forms for the SGM . . . . .	9:30 a.m. on Saturday, 18 October
Date and time of the SGM to approve the S&P Agreement, the proposed Capital Reorganisation, the proposed Rights Issue and transactions contemplated thereunder . . . . .	9:30 a.m. on Monday, 20 October
Announcement on results of SGM . . . . .	Monday, 20 October
Effective date for the Capital Reorganisation . . . . .	Tuesday, 21 October
Commencement of dealings in the Adjusted Shares . . . . .	9:00 a.m. on Tuesday, 21 October
Original counter for trading in existing share certificates in board lots of 5,000 Existing Shares temporarily closes . . . . .	9:00 a.m. on Tuesday, 21 October
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Tuesday, 21 October
First day of free exchange of existing certificates for the Existing Shares into new share certificates for Adjusted Shares . . . . .	9:00 a.m. on Tuesday, 21 October
Last day of dealings in Adjusted Shares on a cum-rights basis . . . . .	Tuesday, 21 October
First day of dealings in Adjusted Shares on an ex-rights basis . . . . .	Wednesday, 22 October

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## EXPECTED TIMETABLE

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Event	2014 (Hong Kong Time)
Latest time for Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue . . . . .	4:00 p.m. on Thursday, 23 October
Closure of register of members. . . . .	Friday, 24 October
Record date and time . . . . .	4:00 p.m. on Friday, 24 October
Register of members re-opens. . . . .	Monday, 27 October
Despatch of Prospectus Documents . . . . .	Monday, 27 October
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

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## EXPECTED TIMETABLE

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Event	2014 (Hong Kong Time)
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
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

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## EXPECTED TIMETABLE

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Notes:

- (i) *Date of dealings specified in this circular 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 not take effect 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.*

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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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 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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (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.

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.

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## DEFINITIONS

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*In this circular, 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 of, 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)”	has the meaning ascribed thereto under the Listing Rules
“Authorised Capital Increase”	the proposed 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
“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 proposed (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 will be 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 be transferred to the contributed surplus account of Easyknit Enterprises

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## DEFINITIONS

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“Capital Reorganisation”	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Authorised Capital Increase
“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
“Consideration”	the consideration to acquire the Target Group of HK\$340.0 million is the total cost for the acquisition of the Sale Share and the Sale Loan
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of Easyknit Enterprises upon the Share Consolidation becoming effective
“Director(s)”	director(s) of Easyknit Enterprises
“EAF(s)”	the excess application form(s) to be 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

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, being all the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders in respect of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder
“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 proposed Rights Issue; and (iii) those who are required to abstain from voting at the SGM to be 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”	25 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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

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## DEFINITIONS

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“Messis Capital” or “Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the S&P Agreement, the Rights Issue and the transactions contemplated thereunder
“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
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Posting Date”	Monday, 27 October 2014 or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be 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) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 24 October 2014 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to set out in the Prospectus Documents and summarised herein

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## DEFINITIONS

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“Rights Share(s)”	450,132,472 Adjusted Shares proposed to be 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 at a consideration of HK\$340.0 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan)
“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
“Sale Loan”	it refers to a loan due to Easyknit International, the ultimate holding company of the Target Company
“Settlement Date”	Tuesday, 11 November 2014, being the first Business Day following the Acceptance Time or such later date as the Company and the Underwriter may agree
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting to be convened and held to consider and approve the S&P Agreement, the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share
“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.

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## DEFINITIONS

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“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.70 per Rights Share
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has 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 Code on Takeovers and Mergers and Share Buy-backs
“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 this circular
“Underwriter”	Get Nice Securities Limited, a licensed corporation 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 to be provisionally allotted to and accepted by Landmark Profits and Goodco pursuant to the Undertakings under the Underwriting Agreement
“Valuation Report”	the valuation report issued by Vigers Appraisal And Consulting Limited, an independent professional valuer, in respect of the Site

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## DEFINITIONS

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“Vendor”	Easyknit Properties Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Easyknit International
“%”	percentage



**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

*Non-executive Directors:*

Mr. Tse Wing Chiu Ricky  
Mr. Lai Law Kau

*Independent Non-executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

26 September 2014

*To the Shareholders*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF THE TARGET GROUP;  
(2) PROPOSED CAPITAL REORGANISATION;  
(3) CHANGE IN BOARD LOT SIZE;  
AND  
(4) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD AT THE RECORD DATE**

**INTRODUCTION**

On 5 September 2014, after trading hours, the Company and the Vendor (being a wholly-owned subsidiary of Easyknit International) entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has

\* *for identification only*

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## LETTER FROM THE BOARD

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conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the consideration of HK\$340.0 million. The S&P Agreement was supplemented by an agreement entered into on 15 September 2014 by the Company and the Vendor, whereby the Company will indirectly acquire the Site at a consideration of HK\$340.0 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan. Upon Completion, the Target Company will become a directly held wholly-owned subsidiary of the Company.

On 5 September 2014, the Board put forward to the Shareholders a proposal of Capital Reorganisation which will comprise (i) Share Consolidation; (ii) Capital Reduction; and (iii) Authorised Capital Increase. The Board also proposed to change the board lot size for trading in the Shares from 5,000 Shares to 1,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

Lastly, Easyknit Enterprises proposed to raise approximately HK\$315.1 million, before expenses, by way of the Rights Issue of 450,132,472 Rights Shares at the Subscription Price of HK\$0.70 per Rights Share on the basis of eight (8) Rights Shares for every one (1) Adjusted Share held at the Record Date and payable in full on acceptance. The estimated net proceeds from the Rights Issue will be approximately HK\$312.0 million, HK\$310.0 million of which are intended to be used in relation to the purchase of the Target Group and the remaining amount of the proceeds (if any) for general working capital.

As of the Latest Practicable Date, Easyknit International, through Goodco and Landmark Profits, its wholly-owned subsidiaries, has indirect interests in approximately 41.0% in aggregate of the issued share capital of Easyknit Enterprises. As such, the purchase of the Target Group constitutes as a connected transaction under Chapter 14A of the Listing Rules. Further, as one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100%, it also constitutes a very substantial acquisition of Easyknit Enterprises under Rule 14.08 of the Listing Rules. In view of the above, the S&P Agreement and transactions contemplated thereunder is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The number of Rights Shares to be issued pursuant to the Rights Issue represents 8 times the Company's issued share capital after the Capital Reorganisation becomes effective and approximately 88.9% of the Company's adjusted and enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue. As the Rights Issue will increase the issued share capital of Easyknit Enterprises by more than 50%, the Rights Issue is subject to Independent Shareholders' approval at the SGM, pursuant to Rule 7.19(6)(a) of the Listing Rules.

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## LETTER FROM THE BOARD

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In accordance with the Listing Rules, Goodco, Landmark Profits and their respective associates will abstain from voting on the resolution(s) to approve the S&P Agreement, the Rights Issue and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, being all the independent non-executive Directors, was established for the purpose of, among other things, advising the Independent Shareholders in respect of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder. Messis Capital Limited, an independent financial adviser to the Independent Board Committee and the Independent Shareholders has been appointed to advise the Independent Board Committee and the Independent Shareholders on the S&P Agreement, the Rights Issue and the transactions contemplated thereunder.

As the executive Directors (namely Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy) and non-executive Directors (namely Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau) are also directors of Easyknit International, they have a material interest in the transaction. Accordingly, the aforementioned Directors had abstained from voting on the board resolution(s) in respect thereof.

The purpose of this circular is to provide you with (i) details of the S&P Agreement, information about the Capital Reorganisation, information about the Rights Issue and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the S&P Agreement, the Rights Issue and the transactions contemplated thereunder; (iv) financial information on the Target Group; (v) the unaudited pro forma financial information of the Group upon completion of the S&P Agreement and the Rights Issue; (vi) the Valuation Report; and (vii) a notice of the SGM.

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## LETTER FROM THE BOARD

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### THE S&P AGREEMENT

**Date:** 5 September 2014 (after trading hours)

**Parties** Purchaser: Easyknit Enterprises

Vendor: Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International engaged in investment holding

As at the Latest Practicable Date, Easyknit International, through its wholly-owned subsidiaries, Landmark Profits and Goodco, is interested in 230,451,381 Shares, representing approximately 41.0% of the issued share capital of the Company.

As at the Latest Practicable Date, Easyknit International held an outstanding convertible note in principal amount of HK\$20,000,000 which is convertible into Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per Share (subject to adjustment).

The S&P Agreement was supplemented by an agreement entered into on 15 September 2014 by the Company and the Vendor, whereby the Company will indirectly acquire the Site at a consideration of HK\$340.0 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan.

### Assets to be acquired

Pursuant to the S&P Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan, upon the terms contained therein. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

Pursuant to the audited financial statements of the Target Group as at 31 March 2014, the Sale Loan amounted to HK\$296,236,533. According to the supplemental agreement to the S&P Agreement, the Vendor stated that at Completion, the Sale Loan shall not exceed the amount of HK\$339,999,999.

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## LETTER FROM THE BOARD

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### *The Target Company*

The Target Company is an investment holding company, which through its wholly-owned subsidiary, holds a 100.0% interest in the Site, being 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., which is currently permitted to be developed for residential use with a maximum gross floor area of approximately 25,323 sq. ft.

It is noted that the Vendor commenced acquiring units at the Site in 2012, which was completed in July 2013 with demolition works of such buildings commencing in June 2014 and expected to be completed by Completion. According to the Vendor, its total cost involved to acquire all the units on the Site and the demolitions up to 31 March 2014 was approximately HK\$300 million.

During the year ended 31 March 2013 and 2014, the Vendor acquired 6 units and 2 units at the Site. According to the Vendor, such units were acquired with short-term lease. Accordingly, for each of the two years ended 31 March 2013 and 2014, the Target Group generated rental income as revenue.

During the three years ended 31 March 2012, 2013 and 2014, the Target Group recorded rental income amounting to approximately nil, HK\$0.8 million and HK\$1.6 million respectively, which corresponds to its respective acquisition of 6 units and 2 units at the Site during the year ended 31 March 2013 and 2014. Demolition works of such buildings had commenced in June 2014, the costs of which has been financed by a loan from Easyknit International, being the Sale Loan, which amounted to HK\$296,236,533 as at 31 March 2014. The Vendor confirmed that the amount is not expected to exceed HK\$339,999,999 by Completion.

Please also refer to Appendix II to this circular for detailed financial information relating to the Target Group.

The Site has a value of HK\$340.0 million as at 31 August 2014. The Valuation Report prepared by Vigers Appraisal And Consulting Limited, an independent valuer, is set out in Appendix IV to this circular.

### **Consideration**

The Consideration for acquiring the Sale Share and the Sale Loan is HK\$340.0 million. The Company has paid to the Vendor an initial deposit of HK\$30.0 million upon entering into the S&P Agreement. The balance of HK\$310.0 million will be satisfied in full by the Company which is intended to be financed by the net proceeds from the proposed Rights Issue upon Completion by cash.

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## LETTER FROM THE BOARD

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The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the location of the Site and the Preliminary Valuation of HK\$340.0 million indicated by Vigers Appraisal And Consulting Limited.

Taking into account the above, the Directors (other than the members of the Independent Board Committee whose view is set out in the "Letter from the Independent Board Committee" in this circular) are of the view that the Consideration is fair and reasonable.

### Terms of payment

- (a) a refundable initial deposit of HK\$30.0 million (the "**Initial Deposit**") was paid by the Company to the Vendor upon signing of the S&P Agreement; and
- (b) the remaining balance of the Consideration of HK\$310.0 million is payable upon Completion by cash. It is intended to be financed by the net proceeds from the Rights Issue upon Completion.

### Conditions precedent

Completion is conditional upon the following conditions (the "**Conditions**") having been fulfilled or waived (as the case may be):

- (a) The respective obligations of the parties to effect completion of the sale and purchase of the Sale Share and the Sale Loan are conditional upon the following:
  - (i) the Company being satisfied with its "due diligence" review of the legal and financial affairs of the Target Group;
  - (ii) the Company having received the sums payable to it in the Rights Issue;
  - (iii) the approval of the S&P Agreement and the transactions contemplated thereunder, by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained; and
  - (iv) the approval of the S&P Agreement and the transactions contemplated thereunder, by the shareholders of Easyknit International (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained.

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## LETTER FROM THE BOARD

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- (b) Each party shall use its reasonable endeavours and co-operate to ensure the fulfilment of the Conditions by 31 December 2014. The Vendor shall use all reasonable endeavours to assist the Company in connection with the due diligence review to be conducted by the Company.
- (c) If the Conditions have not been fulfilled (or, where applicable, waived by the Company) on or before 31 December 2014 (or such other date as may be agreed by the Vendor and the Company) and either the Vendor on the one hand or the Company on the other hand, gives notice to terminate the S&P Agreement, the S&P Agreement shall thereupon terminate.
- (d) If the S&P Agreement is terminated, the Vendor shall refund the Initial Deposit in full without interest to the Company within five (5) Business Days next following the date of the relevant notice. Thereafter, the parties shall have no further claims against each other under the S&P Agreement for costs, damages, compensation or otherwise, save in respect of antecedent breaches.

### **Completion**

Completion shall take place on the third Business Day after the date on which the abovementioned conditions have been satisfied or, if applicable, waived by the Company or such other date as the Company and the Vendor may agree in writing.

### **PROPOSED CAPITAL REORGANISATION**

The Board proposes to put forward to the Shareholders a proposal to effect the Capital Reorganisation which will comprise:

- (i) Share Consolidation: that every ten (10) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share;
- (ii) Capital Reduction: that (i) the issued share capital of Easyknit Enterprises be reduced 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 will be reduced from HK\$0.10 to HK\$0.01; (ii) the authorised share capital of Easyknit Enterprises be reduced 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

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## LETTER FROM THE BOARD

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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 arising from the reduction of the issued share capital of the Company be transferred to the Company's contributed surplus account; and

- (iii) Authorised Capital Increase: that the authorised share capital of the Company be increased 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.

### **Effects of the Capital Reorganisation**

As at the Latest Practicable Date, Easyknit International held an outstanding convertible note in principal amount of HK\$20,000,000 which is convertible into Existing Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per Existing Share (subject to adjustment).

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

Based on the Company's existing authorised share capital of HK\$200,000,000, represented by 20,000,000,000 Existing Shares and the existing issued share capital of HK\$5,626,656.07, represented by 562,665,607 Existing Shares, upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will remain at HK\$200,000,000, represented by 20,000,000,000 Adjusted Shares, and the issued share capital will be HK\$562,665.59 represented by 56,266,559 Adjusted Shares.

Any fraction of Adjusted Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the Company's benefit. The Adjusted Shares will rank *pari passu* in all respects with each other.

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## LETTER FROM THE BOARD

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The effect of the Capital Reorganisation is summarised below:

	<b>Prior to the Capital Reorganisation</b>	<b>Immediately following the Capital Reorganisation becoming effective <i>(Note)</i></b>
Par value of each Existing Share/Adjusted Share in issue	HK\$0.01	HK\$0.01
Number of authorised Existing Shares/Adjusted Shares	20,000,000,000	20,000,000,000
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Number of Existing Shares/Adjusted Shares in issue	562,665,607	56,266,559
Issued and fully paid-up share capital	HK\$5,626,656.07	HK\$562,665.59

*Note:* The issued share capital of the Company immediately after the Capital Reorganisation becoming effective is presented on the assumption that no Existing Shares will be issued or repurchased between the Latest Practicable Date and the date of the SGM. Any fraction arising from the Capital Reorganisation is not shown in the table.

Based on 562,665,607 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$5.06 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of the Company. The Board intends to apply the credit arising from the Capital Reduction in or towards setting-off the accumulated losses of the Company.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the

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## LETTER FROM THE BOARD

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expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the Company's net asset value, which will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

### **Reasons for the Capital Reorganisation**

The Capital Reorganisation (together with the change in board lot size detailed in the section headed "Change in board lot size" below) is expected to bring about a corresponding upward adjustment in the trading price of the Adjusted Share and an increase in the trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Adjusted Shares. The credit arising from the Capital Reduction will enable the Company to eliminate its accumulated loss, thus allowing greater flexibility for the Company for future distributions to the Shareholders or in any manner permitted by the laws of Bermuda and the bye-laws as and when the Board considers appropriate.

In view of the above, the Board believes that the Capital Reorganisation is beneficial to the Company and Shareholders as a whole.

The issued Adjusted Shares will rank *pari passu* in all respects with each other, and the Capital Reorganisation will not result in any change in the relative rights of Shareholders. Any fractional entitlements to the Adjusted Shares will be aggregated and sold (less expenses) for the benefit of the Company.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon, *inter alia*, the following:

- (a) the passing of the resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) compliance with the relevant legal procedures and requirements under the Listing Rules and the Companies Act to effect the Capital Reorganisation; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

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## LETTER FROM THE BOARD

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### **Expected effective date of the Capital Reorganisation**

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on Tuesday, 21 October 2014.

### **Listing and dealings**

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date 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.

### **Free exchange of share certificates**

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing share certificates for Existing Shares (in purple color) to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queens Road East, Hong Kong from Tuesday, 21 October 2014 to Friday 28 November 2014 (both dates inclusive) to exchange, at the expense of the Company, for new certificates for the Adjusted Shares (in green color). Thereafter, shares certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. The existing shares certificates for the Existing Shares will be valid for trading and settlement up to 4:00 p.m., Monday, 24 November 2014, being the latest time for trading in board lots of 500 Adjusted Shares (or such other date which will be announced by the Company) but will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for shares certificates of the Adjusted Shares at any time in accordance with the foregoing.

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## LETTER FROM THE BOARD

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### CHANGE IN BOARD LOT SIZE

The Board also proposes to change the board lot size for trading in the Existing Shares from 5,000 Existing Shares to 1,000 Adjusted Shares subject to and on the Capital Reorganisation becoming effective.

### Odd lots arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, Get Nice Securities Limited has been appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:00 a.m. on Tuesday, 4 November 2014 to 4:00 p.m. on Monday, 24 November 2014 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

### PROPOSED 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 Existing Shares in issue as at the Latest Practicable Date	:	562,665,607 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	56,266,559 Adjusted Shares (assuming no issue of new Existing Shares or no further repurchase of Existing Shares on or before the Record Date)
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

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## LETTER FROM THE BOARD

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Enlarged issued share capital of Easyknit Enterprises immediately upon completion of the Rights Issue	:	506,399,031 Adjusted Shares
Fund raised before expenses	:	approximately HK\$315.1 million
Net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no subscription or conversion rights attaching to the convertible note are exercised on or before the Record Date)	:	approximately HK\$0.69 per Rights Share
Underwriter	:	Get Nice Securities Limited

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 Existing Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per Existing Share (subject to adjustment).

With the exception of the above, as at the Latest Practicable Date, the Company does not have any outstanding share options granted under any of its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Existing 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 beneficially owned by them will not be disposed of or transferred from the date of the undertaking to the Record Date and that the Rights Shares to be 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. Accordingly, 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, 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 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.

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## LETTER FROM THE BOARD

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### **Basis of allotment**

The basis of allotment will be 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 should be made 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.

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 67.9% to the adjusted closing price of HK\$2.18 per Adjusted Share, based on the closing price of HK\$0.218 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (v) a discount of approximately 19.0% to the theoretical ex-rights price of HK\$0.864 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.218 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

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## LETTER FROM THE BOARD

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Each Rights Share will have par value of HK\$0.01.

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, 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 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 (other than the members of the Independent Board Committee whose view is set out in the "Letter from the Independent Board Committee" in this circular) 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.

### **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 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 will be subject to payment of stamp duty in Hong Kong.

### **Fractional entitlements to the Rights Issues**

The Company will not provisionally allot 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 fractions of Rights Shares will be available for excess application.

### **Qualifying Shareholders**

To qualify for the Rights Issue, investors must be registered as members of the Company and not be Non-Qualifying Shareholders at the close of business on the Record Date. Non-Qualifying Shareholders are Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date whom the Board,

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## LETTER FROM THE BOARD

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when based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

The Company will consider the rights of the Overseas Shareholders (if any) and the arrangements in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Issue to such Shareholders.

Further information in this connection will be set out in the Prospectus to be despatched to the Shareholders.

The Company retains the right, in its discretion, to make any arrangement that it considers desirable to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

In order to be registered as members of the Company at the close of business on the Record Date, beneficial owners must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 23 October 2014.

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

### **Non-Qualifying Shareholders**

The Company will send the Prospectus only (without any PAL and EAF) to the Non-Qualifying Shareholders for their information.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

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## LETTER FROM THE BOARD

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### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. Details of the basis of allocation of excess Rights Shares will be disclosed in the Prospectus.

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

Investors with their Shares held by a nominee should consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by nominee(s) and would like to have their names registered on the register of members of the Company, must lodge all necessary document with the Company's branch share registrar in Hong Kong for completion of the relevant registration by 4:00 p.m. on Thursday, 23 October 2014.

The Latest time for acceptance of and payment for the Rights Issue will be 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.

### **Closure of register of members**

The register of members will be closed on Friday, 24 October 2014 and re-opened on Monday, 27 October 2014. No transfers of Shares will be made on the said date.

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## LETTER FROM THE BOARD

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### **Share certificates and refund cheques for the Rights Shares**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Wednesday, 19 November 2014 to those who have accepted, or (where applicable) applied for, and paid for the Rights Shares, by ordinary post at their own risk.

Refund cheques in respect of wholly or partly 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.

### **Conditions of the Rights Issue**

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

- (i) approval having been obtained at the SGM from the Independent Shareholders for the S&P Agreement, the Rights Issue and the transactions contemplated thereunder;
- (ii) the Capital Reorganisation becoming effective;
- (iii) the registration by and filing with the Registrar of Companies in Hong Kong of the Prospectus Documents;
- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (v) compliance with and performance by Easyknit Enterprises of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (vi) 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;
- (vii) if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares;
- (viii) the shares of the Company remaining listed on 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

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## LETTER FROM THE BOARD

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- (ix) 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 (i), (ii), (iii) and (iv) above are not fulfilled and/or waived (other than condition (i) which cannot be waived) in whole or in part by the Underwriter on or before the despatch of the Prospectus Documents or in the event that the conditions (v), (vi) and (vii) above have not been satisfied/or waived (other than conditions (v) and (vi) 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 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.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms). No part of the securities of the Company is listed or dealt in or on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, 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 commencement dates of dealings in Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as 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.

The nil-paid Rights Shares, fully-paid Rights Shares will be traded in board lots of 1,000 Adjusted Shares.

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## LETTER FROM THE BOARD

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Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### UNDERWRITING AGREEMENT FOR THE RIGHTS ISSUE

#### Undertakings

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, is interested in 230,451,381 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 Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per Share (subject to adjustment).

Each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that the Shares 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 to be 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 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

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## LETTER FROM THE BOARD

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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 Shares.

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 this circular.

### **WARNING OF THE RISK OF DEALING IN THE SHARES, THE ADJUSTED SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Shares are expected to be adjusted and dealt in on an ex-rights basis from Wednesday, 22 October 2014. 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 Shares and/or 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.**

## LETTER FROM THE BOARD

### EFFECT ON THE SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

Under the scenarios of (i) the conversion rights attaching to the outstanding convertible note are not exercised; and (ii) full exercise of the outstanding convertible note, set out below the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after Capital Reorganisation but before the Completion; (c) immediately after Completion assuming all Rights Shares are taken up by Qualifying Shareholder; and (d) immediately after Completion assuming only Landmark Profits and Goodco take up their Rights Shares.

#### Scenario 1: no exercise of the outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		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)	
	No. of Existing Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
<i>Landmark Profits</i>	47,140,104	8.38	4,714,010	8.38	42,426,090	8.38	42,426,090	8.38
<i>Goodco</i>								
— Shares of the Company	183,311,277	32.58	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 (Notes 1 and 2)	31,152,647		To be adjusted (Note 3)		To be adjusted (Note 3)		To be adjusted (Note 3)	
<b>Sub-total</b>	<b>230,451,381</b>	<b>40.96</b>	<b>23,045,137</b>	<b>40.96</b>	<b>207,406,233</b>	<b>40.96</b>	<b>207,406,233</b>	<b>40.96</b>
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	265,771,376	52.48
Other public Shareholders	332,214,226	59.04	33,221,422	59.04	298,992,798	59.04	33,221,422	6.56
<b>Total</b>	<b>562,665,607</b>	<b>100.00</b>	<b>56,266,559</b>	<b>100.00</b>	<b>506,399,031</b>	<b>100.00</b>	<b>506,399,031</b>	<b>100.00</b>

#### Notes:

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

## LETTER FROM THE BOARD

### Scenario 2: full exercise of the outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		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 Existing Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>	
		%		%		%		%
<i>Landmark Profits</i>	47,140,104	7.94	4,714,010	7.94	42,426,090	7.94	42,426,090	7.94
<i>Goodco</i>								
— Shares of the Company	214,463,924	36.12	21,446,392	36.12	193,017,528	36.12	193,017,528	36.12
— Underlying shares of the Company of the outstanding convertible note ( <i>Notes 1 and 2</i> )	—	0.00	—	0.00	—	0.00	—	0.00
<b>Sub-total</b>	<b>261,604,028</b>	<b>44.06</b>	<b>26,160,402</b>	<b>44.06</b>	<b>235,443,618</b>	<b>44.06</b>	<b>235,443,618</b>	<b>44.06</b>
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	265,771,376	49.72
Other public Shareholders	332,214,226	55.94	33,221,422	55.94	298,992,798	55.94	33,221,422	6.22
<b>Total</b>	<b>593,818,254</b>	<b>100.00</b>	<b>59,381,824</b>	<b>100.00</b>	<b>534,436,416</b>	<b>100.00</b>	<b>534,436,416</b>	<b>100.00</b>

*Notes:*

1. The underlying shares of the Company of the outstanding convertible note do not represent 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.

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## LETTER FROM THE BOARD

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Following the Rights Issue, the Company will remain as 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 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 will enter 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 confirms that no subscribers will become a substantial Shareholder immediately upon Completion of the Rights Issue.

### **POSSIBLE 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 which is convertible into Shares during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per Share (subject to adjustment). As a result of the Capital Reorganisation and the Rights Issue, adjustments may need to be made to the exercise price and other rights (if any) attached to the conversion rights pursuant to the subscription agreement dated 16 January 2014, if necessary. The Company will make further announcement accordingly.

### **REASONS FOR AND BENEFITS OF THE S&P AGREEMENT AND 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. Given the Site 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.

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## LETTER FROM THE BOARD

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As described in the paragraph headed “The Target Company” above, 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 carparking 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.

### **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 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 (other than the members of the Independent Board Committee whose view is set out in the “Letter from the Independent Board Committee” in this circular) 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.

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## LETTER FROM THE BOARD

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### **POSSIBLE FINANCIAL EFFECTS ON THE GROUP FOLLOWING THE COMPLETION OF THE CAPITAL REORGANISATION, THE S&P AGREEMENT AND THE RIGHTS ISSUE**

Upon Completion, the Target Group will cease to be an indirectly held wholly-owned subsidiary of Easyknit International and will become a directly held wholly-owned subsidiary of the Company. Accordingly, the Company will be interested in 100.0% of the Target Group and the financial results of the Target Group will be consolidated by the Group upon Completion.

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 III to this circular, 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 III to this circular, 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 III to this circular, 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 Capital Reorganisation, the S&P Agreement and the Rights Issue are set out in Appendix III to this circular.

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## LETTER FROM THE BOARD

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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 this circular:

Date	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
11 September 2013	Placing of 329,540,000 new shares under general mandate	HK\$20.0 million	For general working capital	Applied as intended
3 October 2013	Rights issue of 247,163,250 new shares	HK\$146.0 million	HK\$102 million – for future redevelopment cost of the Matheson Street Project  HK\$44 million – for general corporate purpose	To be applied as intended  Applied as intended
16 January 2014	Issue of convertible note with an aggregated principal amount of HK\$100 million which may be converted into Shares at a prevailing conversion price of HK\$0.642 per Share (subject to adjustment)	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	HK\$16.0 million has been applied as intended and HK\$7.1 million to be applied as intended

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, Easyknit International, through Goodco and Landmark Profits, its wholly-owned subsidiaries, has indirect interests in approximately 41.0% in aggregate of the Company's issued share capital. As such, the purchase of the Target Group constitutes a connected transaction under Chapter 14A of the Listing Rules. Further, as one or more the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100.0%, it also constitutes a very substantial acquisition under Rule 14.08 of the Listing Rules. In view of the above, the S&P Agreement and transactions contemplated thereunder is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The number of Rights Shares to be issued pursuant to the Rights Issue represents eight times the Company's issued share capital after the Capital Reorganisation and approximately 88.9% of the Company's adjusted and enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue. As the Rights Issue will increase the Company's issued share capital more than 50.0%, the Rights Issue is subject to Independent Shareholders' approval at the SGM, pursuant to Rule 7.19(6) (a) of the Listing Rules.

In accordance with the Listing Rules, Goodco, Landmark Profits and their respective associates will abstain from voting on the resolution(s) to approve the S&P Agreement, the Rights Issue and the transactions contemplated thereunder at the SGM.

### SGM

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 20 October 2014 at 9:30 a.m. is set out on N-1 to N-5 of this circular. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

There had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in Easyknit Enterprises to a third parties either especially or on a case-by-case basis.

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## LETTER FROM THE BOARD

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Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### RECOMMENDATIONS

Based on the information disclosed herein, the Directors are of the view that that the Capital Reorganisation is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of 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 and to make recommendations to the Independent Shareholders on how to vote at the SGM. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder are fair and reasonable and that the Rights Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the S&P Agreement, the Rights Issue and the transactions contemplated thereunder to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 43 to 44 of this circular which contains its recommendations to the Independent Shareholders in relation to the S&P Agreement, the Rights Issue and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 45 to 77 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

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



**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**永義實業集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0616)**

26 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF THE TARGET GROUP;  
AND  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD AT THE RECORD DATE**

We refer to the circular dated 26 September 2014 (the “**Circular**”) of Easyknit Enterprises of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the S&P Agreement, the Rights Issue and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the SGM to approve the S&P Agreement, the Rights Issue and the transactions contemplated thereunder.

\* *for identification only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Messis Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regards. We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the S&P Agreement, the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the S&P Agreement, the Rights Issue and the transactions contemplated thereunder are in the interests of Easyknit Enterprises and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the S&P Agreement, the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Kan Ka Hon**

*Independent non-executive  
Director*

**Lau Sin Ming**

*Independent non-executive  
Director*

**Foo Tak Ching**

*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

26 September 2014

*To: The Independent Board Committee and the Independent Shareholders  
of Easyknit Enterprises Holdings Limited*

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION RELATING TO  
THE PURCHASE OF THE TARGET GROUP  
AND  
PROPOSED RIGHTS ISSUE ON THE BASIS OF  
EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD AT THE RECORD DATE**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the S&P Agreement, the proposed Rights Issue and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 26 September 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 5 September 2014, the Company and the Vendor (being a wholly-owned subsidiary of Easyknit International) entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$340.0 million. The S&P Agreement was supplemented by an agreement entered into on 15 September 2014 by the Company and the Vendor, whereby the Company will indirectly acquire the Site at a consideration of HK\$340.0 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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An initial deposit of HK\$30.0 million had been paid by the Company to the Vendor upon signing of the S&P Agreement and the remaining balance of the Consideration of HK\$310.0 million is intended to be financed by the net proceeds from the proposed Rights Issue.

The Company proposes to raise approximately HK\$315.1 million, before expenses, by way of Rights Issue of 450,132,472 Rights Shares at the Subscription Price of HK\$0.70 per Rights Share on the basis of eight (8) Rights Shares for every one (1) Adjusted Share held at the Record Date. The estimated net proceeds from the Rights Issue will be approximately HK\$312.0 million, of which HK\$310 million is intended to be used in relation to the purchase of the Sale Share and the Sale Loan as mentioned above and the remaining amount (if any) for general working purposes of the Company.

In addition, the Company also proposes to put forward a proposal to effect the Capital Reorganisation and to change the board lot size after the Capital Reorganisation, details of which are set forth in the Board Letter.

As Easyknit International, through Goodco and Landmark Profits, its wholly-owned subsidiaries, has indirect interests of approximately 41.0% in aggregate of the issued share capital of Easyknit Enterprises, the transaction contemplated under the S&P Agreement between the Company and the Vendor constitutes a connected transaction under Chapter 14A of the Listing Rules. In addition, as the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100.0%, it also constitutes a very substantial acquisition of the Company under Rule 14.08 of the Listing Rules. As such, the transaction contemplated under the S&P Agreement is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Furthermore, the number of Rights Shares to be issued pursuant to the Rights Issue represents eight times the Company's issued share capital after the Capital Reorganisation and approximately 88.9% of the Company's adjusted and enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue. As the Rights Issue will increase the issued share capital of the Company by more than 50.0%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is subject to the approval by the Independent Shareholders at the SGM.

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, has been established for the purpose of, among other things, advising the Independent Shareholders in respect of the S&P Agreement, the proposed Rights Issue and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not (i) the terms of the S&P Agreement, the proposed Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the S&P Agreement, the proposed Rights Issue and the transactions contemplated thereunder at the SGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transactions:

<b>Date of the relevant circular and our letter of advice</b>	<b>Nature of the transaction</b>
15 November 2012	Rights issue
7 January 2013	Refreshment of general mandate
1 March 2013	Refreshment of general mandate
20 February 2014	Connected transaction relating to proposed issue of convertible note and application for whitewash waiver
28 April 2014	Refreshment of general mandate

Apart from normal professional fees paid or payable to us in connection with the previous appointments mentioned above as well as this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointments would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the S&P Agreement and the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

### A. The S&P Agreement

In arriving at our opinion in respect of the S&P Agreement, we have taken into consideration the following principal factors and reasons:

#### *A.1. Background of and reasons for entering into the S&P Agreement*

##### *A.1.1. Information on the Target Group and the Vendor*

The Target Company is an investment holding company, which, through its wholly-owned subsidiary, holds 100% interest in the Site, being a parcel of land located at No. 14 and 16 Inverness Road, Kowloon Tong, Hong Kong with a total registered site area of approximately 8,441.5 sq. ft., which is currently permitted to develop for residential use with a maximum gross floor area of approximately 25,323 sq. ft. As advised by the Directors, the building located at the Site is currently being demolished and, upon Completion, the Site will be a bare site and will be readily available for development purposes. The Directors consider that the Site will provide an opportunity for the Company in respect of a mixed residential and commercial property development project. In addition, the Directors are of the view that the Site is located in a traditional residential district with good school networks in its neighbourhood and strong demand for upmarket residential properties within the proximity and therefore has strong potential for redevelopment.

The Vendor is a wholly-owned subsidiary of Easyknit International. As advised by the Directors, Easyknit International, through its subsidiaries, commenced acquiring units of the buildings located at the Site in 2012, which was completed in July 2013. Demolition works of the buildings at the Site commenced in June 2014 and are expected to be completed by Completion. The total cost of the group of Easyknit International involved in acquiring all units at the Site and the demolition works up to 31 March 2014 amounted to approximately HK\$300 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Valuation Report prepared by Vigers Appraisal And Consulting Limited, an independent valuer, the Site is valued at the existing market value of HK\$340.0 million as at 31 August 2014. Further information regarding the Valuation Report is discussed in the paragraph headed “A.2.2. Valuation Report” in this letter.

We also note that according to the audited financial statements of the Target Group as at 31 March 2014, the Sale Loan amounted to HK\$296,236,533, and upon Completion, the Sale Loan shall not exceed the amount of HK\$339,999,999 (being lower than the Consideration).

### *A.1.2. Business overview of the Group*

The Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing.

The following table summarises the consolidated financial results of the Group from its continuing operations for each of the three years ended 31 March 2014, which are extracted from the Company’s annual reports for the year ended 31 March 2013 (the “**Annual Report 2013**”) and for the year ended 31 March 2014 (the “**Annual Report 2014**”) respectively:

	<b>Year ended 31 March 2012 HK\$'000</b>	<b>Year ended 31 March 2013 HK\$'000</b>	<b>Year ended 31 March 2014 HK\$'000</b>
<b>Turnover</b>			
Property investments	5,998	11,780	13,927
Garment sourcing and exporting	280,918	211,770	142,138
Investment in securities	—	—	—
Loan financing	—	206	875
Consolidated	286,916	223,756	156,940
<b>Segment profit/(loss)</b>			
Property investments	36,827	(23,018)	8,913
Garment sourcing and exporting	(61,799)	(1,601)	(4,908)
Investment in securities	(14,711)	7,472	(1,738)
Loan financing	—	126	768
Profit/(loss) for the year	<u>(36,047)</u>	<u>(21,922)</u>	<u>(2,541)</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following table summarises the consolidated financial position of the Group as at 31 March 2012, 2013 and 2014, which is extracted from the Annual Report 2013 and the Annual Report 2014:

	<b>As at 31 March 2012 <i>HK\$'000</i></b>	<b>As at 31 March 2013 <i>HK\$'000</i></b>	<b>As at 31 March 2014 <i>HK\$'000</i></b>
Non-current assets	371,883	630,515	657,313
Current assets	290,253	373,464	732,189
Current liabilities	41,012	31,298	37,178
Non-current liabilities	12,888	174,802	229,230
Capital and reserves	608,236	797,879	1,123,094

We note from the Annual Report 2013 and Annual Report 2014 that the majority of the non-current assets of the Group as at each of the reporting dates stated in the above table was investment properties. For instance, as at 31 March 2014, out of the non-current assets of approximately HK\$657,313,000, investment properties amounted to approximately HK\$640,569,000.

We also note that there was a significant increase in the Group's non-current assets from approximately HK\$371,883,000 as at 31 March 2012 to approximately HK\$630,515,000 as at 31 March 2013 and further to approximately HK\$657,313,000 as at 31 March 2014 as shown in the above table, which was primarily due to the acquisition of properties for the Matheson Street Project. Please refer to the Board Letter for further information regarding the Matheson Street Project.

It was also disclosed in the Annual Report 2013 that a new secured bank borrowing was obtained during the year ended 31 March 2013 and the proceeds were used to finance the acquisition of investment properties, resulting in the increase in the non-current liabilities of the Group from approximately HK\$12,888,000 as at 31 March 2012 to approximately HK\$174,802,000 as at 31 March 2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also note that there was a significant increase in the Group's current assets from approximately HK\$373,464,000 as at 31 March 2013 to approximately HK\$732,189,000 as at 31 March 2014, which was mainly due to the fund raising activities conducted by the Company during the year ended 31 March 2014 for the purpose of the Matheson Street Project and general corporate purposes.

The following table shows an analysis of the consolidated total assets of the Group by operating and reportable segments as at 31 March 2012, 2013 and 2014, which is extracted from the Annual Report 2013 and the Annual Report 2014:

	<b>As at</b> <b>31 March</b> <b>2012</b> <i>HK\$'000</i>	<b>As at</b> <b>31 March</b> <b>2013</b> <i>HK\$'000</i>	<b>As at</b> <b>31 March</b> <b>2014</b> <i>HK\$'000</i>
<b>Segment assets</b>			
Property investments	466,959	705,339	721,188
Garment sourcing and exporting	24,283	20,952	6,515
Investment in securities	58,990	72,909	131,669
Loan financing	—	17,588	17,591
Unallocated bank balances and cash	111,512	186,936	512,052
Others	392	255	487
<b>Consolidated assets</b>	<b>662,136</b>	<b>1,003,979</b>	<b>1,389,502</b>

We note that the Company has disclosed in the Annual Report 2013 that “*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*” and that 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*”.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the acquisition of the Sale Share and the Sale Loan, which principally involves the purchase of the Site located in Kowloon Tong, Kowloon, Hong Kong for property development, is, in addition to the Matheson Street Project, consistent with the above-mentioned strategy of the Group which has previously been disclosed by the Company in the Annual Report 2013.

### *A.1.3. Overview of the Hong Kong property market*

Over the past few years, the Hong Kong government has introduced various measures in relation to the property market in Hong Kong. We note from official government statements that such measures were aimed at addressing “the overheated property market” in Hong Kong. Nevertheless, we note that the property prices in general maintained an upward trend over the past two years based on the data available from the Rating and Valuation Department of the Hong Kong government.

The table below summaries the rental and price indices of private residential properties in Hong Kong:

<b>Year</b>	<b>Month</b>	<b>Rents</b>	<b>Prices</b>
2011		134.0	182.1
2012		142.6	206.2
2013		154.5	242.4
2014	1-3	155.3	244.2
	4-6*	156.4	247.4

*Sources: Hong Kong Property Review – Monthly Supplement September 2014 and property market statistics published on the website of the Rating and Valuation Department of the Hong Kong government*

*\* denotes provisional figures*

As shown in the table above, the rental and price indices of private residential properties have been increasing since 2011. The rental index climbed from 134.0 in 2011 to 156.4 in the second quarter of 2014, representing an increase of approximately 16.7% over the entire period. Meanwhile, the price index increased from 182.1 in 2011 to 247.4 in the second quarter of 2014, representing a growth of approximately 35.9% over the entire period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below illustrates the rental and price indices of private retail properties in Hong Kong:

Year	Month	Rents	Prices
2011		134.3	327.4
2012		151.3	420.5
2013		165.5	506.8
2014	1-3*	169.2	505.5
	4-6*	172.0	510.4

*Sources: Hong Kong Property Review – Monthly Supplement September 2014 and property market statistics published on the website of the Rating and Valuation Department of the Hong Kong government*

*\* denotes provisional figures*

As shown in the table above, the rental index of private retail properties climbed from 134.3 in 2011 to 172.0 in the second quarter of 2014, representing an increase of approximately 28.1% over the entire period. Meanwhile, the price index increased from 327.4 in 2011 to 510.4 in the second quarter of 2014, representing a growth of approximately 55.9% over the entire period.

#### *A.1.4. Our view*

Based on the above and having considered in particular that:

- (i) the acquisitions of the Sale Share and the Sale Loan involving principally the purchase of the Site for property development is consistent with the strategy of the Group which has previously been disclosed by the Company in the Annual Report 2013;
- (ii) the Site will be a bare site upon Completion and will be readily available for the Company's property development purposes;
- (iii) the property rents and prices have demonstrated an increasing trend in general despite the various cooling measures introduced by the Hong Kong government over the past few years,

we consider that entering into the S&P Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### *A.2. Principal terms of the S&P Agreement*

#### *A.2.1. The Consideration*

The Consideration for acquiring the Sale Share and the Sale Loan is HK\$340.0 million. The Company has paid to the Vendor an initial deposit of HK\$30.0 million upon entering into the S&P Agreement. The balance of HK\$310.0 million will be satisfied in full by the Company by cash upon Completion, which is intended to be financed by the net proceeds from the proposed Rights Issue.

As advised by the Directors, the Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the location of the Site and the valuation of the Site of HK\$340.0 million as at 31 August 2014 (the “**Appraised Value**”) as indicated by Vigers Appraisal And Consulting Limited, an independent valuer (the “**Valuer**”).

We note that the Consideration of HK\$340.0 million is equivalent to the Appraised Value of HK\$340.0 million. We also note that according to the audited financial statements of the Target Group as at 31 March 2014, the Sale Loan amounted to HK\$296,236,533, and upon Completion, the Sale Loan shall not exceed the amount of HK\$339,999,999 (being lower than the Consideration).

#### *A.2.2. The Valuation*

The Valuation Report, which was prepared by the Valuer and contains the Valuation as well as the details of the methodologies and assumptions of the Valuation, is set out in Appendix IV to the Circular. According to the Valuation Report, the Appraised Value of the Site is HK\$340.0 million.

We have interviewed the Valuer as to its expertise and independence. The Valuer confirmed to us that (a) it has more than 36 years of experience in property valuation in Hong Kong; and (b) except for its engagement in respect of the valuation of the Site, it has no current or prior relationships with the Company and the Company's connected persons. We are not aware of any matters that would cause us to question the Valuer's expertise and independence.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the terms of engagement of the Valuer having particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report.

We understand from the Valuer that it has relied on certain information made available to it by the Company, including the Company's representations that demolition works of the existing buildings on the Site are underway and the Site will be a bare site upon Completion, and that the Site is currently permitted to develop for residential use with a maximum gross floor area of approximately 25,323 sq. ft. We note that such representations made by the Company to the Valuer are consistent with the information contained in the Circular. We also understand that the Valuer has physically inspected the Site on 29 August 2014 and has conducted land searches at the Land Registry and is not aware of any matters that would cause it to question the truthfulness or reasonableness of the information provided by the Company.

We note from the Valuation Report that the Valuer has 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 understand from the Valuer that direct comparison approach is a commonly used approach and is appropriate for assessing the market value of the Site given that the Site is currently vacant and will be a bare site upon Completion pending development. We further understand from the Valuer that as part of the direct comparison method, it has made reference to, among others, the recent transaction prices of sites of comparable size, character and location. We have obtained from the Valuer the details of the comparable transactions that it had made reference to in valuing the Site and noted that the Valuer has identified 2 recent transactions in the vicinity of the Site, which are comparable to the Site in terms of size, character and location. Based on our review of such comparable transactions, we note that the value per sq. ft. of maximum permitted gross floor area represented by the Appraised Value is within the range as indicated by such comparable transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on our discussion with the Valuer, the Valuer confirmed that the number of transactions that were chosen for comparison is reasonably adequate given the scarcity of comparables with similar characteristic in the vicinity, and that the nature and particulars of the comparable transactions are appropriate and relevant for providing a fair and reasonable basis for Valuer's opinion of the market value of the Site. The Valuer further confirmed that such valuation was prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors.

Based on all of the foregoing, we concur with the Valuer's view that (i) the valuation methodology adopted by the Valuer is common and appropriate for determining the market value of properties such as the Site; (ii) the bases and assumptions for the valuation of the Site are fair and reasonable; and (iii) the Appraised Value of HK\$340.0 million was fairly and reasonably derived.

### *A.2.3. Our View*

Having considered that (i) the Consideration of HK\$340.0 million is equivalent to the Appraised Value of HK\$340.0 million; (ii) the amount of Sale Loan upon Completion shall not exceed the Consideration; and (iii) the Appraised Value of HK\$340.0 million was fairly and reasonably derived by the Valuer using common and appropriate methodology and based on fair and reasonable bases and assumptions as discussed above, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### B. The Rights Issue

In arriving at our opinion in respect of the Rights Issue, we have considered the following principal factors and reasons:

#### *B.1. Background of and reasons for the Rights Issue*

##### *B.1.1. Reasons for the Rights Issue and the use of proceeds*

As mentioned in the Board Letter, the Rights Issue was mainly for the purpose of financing the remaining balance of HK\$310.0 million of the Consideration.

We note that the cash and bank balances currently available to the Group were primarily attributable to the recent fund raising activities of the Company. The following table sets out the fund raising activities of the Company during the past 12 months immediately before the date of this circular:

Date	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
11 September 2013	Placing of 329,540,000 new shares under general mandate	HK\$20.0 million	For general working capital	Applied as intended
3 October 2013	Rights issue of 247,163,250 new shares	HK\$146.0 million	HK\$102 million — for future redevelopment cost of the Matheson Street Project	To be applied as intended
			HK\$ 44 million — for general corporate purpose	Applied as intended

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 at a prevailing conversion price of HK\$0.642 per Share (subject to adjustment)	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	HK\$16.0 million has been applied as intended and HK\$7.1 million to be applied as intended

We note that the majority of the funds raised through the fund raising exercises conducted by the Company over the past year were intended for the acquisitions and related redevelopment in respect of the Matheson Street Project. As advised by the Directors, there has been no change in the intended use of the unutilized proceeds from these funds raising activities previously ear-marked by the Company for the Matheson Street Project. Therefore, despite the cash and bank balances currently available to the Group, the Company is raising funds to complete the purchase of the Sale Share and the Sale Loan.

### *B.1.2. Financing alternatives*

We have discussed with the Directors regarding other financing methods such as placing and banking facilities. We note that (i) debt financing and bank borrowings will incur interest burden and repayment obligations of the Group and may be subject to lengthy due diligence and negotiations as well as the pledge of assets by the Group, in particular given that the Group recorded net losses in each of the past three financial years; (ii) the Rights Issue removes a certain degree of uncertainty as compared to best-efforts placing; (iii) all the Qualifying Shareholders have an equal opportunity to participate in the enlargement of the Company's capital base and the Company's future development; (iv) the Rights Issue enables all Qualifying Shareholders to maintain their proportionate interests in the Company; and (v) the Shareholders who do not participate in the fund raising of the Company can dispose of their rights shares entitlements in the market in nil-paid form. Based on the foregoing, we concur with the Directors' view that the Rights Issue is an appropriate means to finance the remaining balance of HK\$310.0 million of the Consideration.

### *B.1.3. Our view*

Based on the above and having considered in particular that:

- (i) the Company requires additional funding to complete the purchase of the Sale Share and the Sale Loan as discussed in the paragraph headed "B.1.1. Reasons for the Rights Issue and the use of proceeds" above;
- (ii) the benefits of financing by way of Rights Issue over other financing alternatives as discussed in the paragraph headed "B.1.2 Financing alternatives" above;
- (iii) the S&P Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraph headed "A.1. Background of and reasons for entering into the S&P Agreement" above; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Shareholders as a whole are concerned as discussed in the paragraph headed “A.2. Principal terms of the S&P Agreement” above,

we concur with the view of the Directors that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

### ***B.2. Principal terms of the Rights Issue***

The Company proposes to raise approximately HK\$315.1 million, before expenses, by way of Rights Issue of 450,132,472 Rights Shares at the Subscription Price of HK\$0.70 per Rights Share on the basis of eight (8) Rights Shares for every one (1) Adjusted Share held at the Record Date. The estimated net proceeds from the Rights Issue will be approximately HK\$312.0 million, of which HK\$310 is intended to be used in relation to the purchase of the Sale Share and the Sale Loan as mentioned above and the remaining amount (if any) for general working purposes of the Company.

#### *B.2.1. Subscription Price*

The Subscription Price is HK\$0.70 per Rights Share. As advised by the Directors, 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, 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.

#### *Comparison with prevailing market price*

We note that 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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (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 67.9% to the adjusted closing price of HK\$2.18 per Adjusted Share, based on the closing price of HK\$0.218 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (v) a discount of approximately 19.0% to the theoretical ex-rights price of HK\$0.864 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.218 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

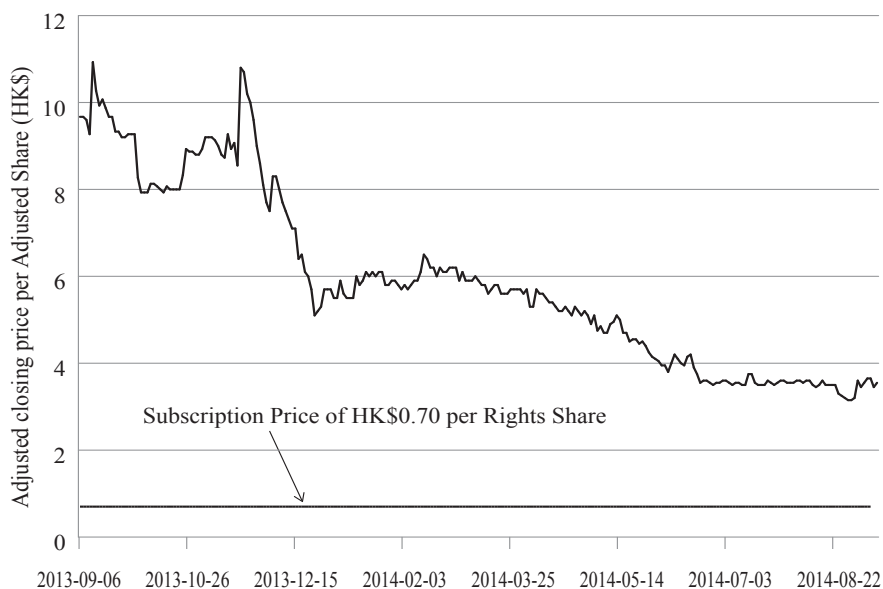
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparison with historical closing prices*

Set out below is the movements in the daily adjusted closing price per Adjusted Share based on the closing price per Existing Share as quoted on the Stock Exchange during the period from 6 September 2013, being the date falling on the 12 months prior to the date of the Announcement, up to and including the Last Trading Date (the “**Review Period**”):



During the Review Period, the lowest adjusted closing price per Adjusted Share was HK\$3.15 recorded on 27 August 2014 and 28 August 2014 while the highest adjusted closing price per Adjusted Share was HK\$10.93 recorded 12 September 2013. The average daily adjusted closing price per Adjusted Share was approximately HK\$5.92 per Adjusted Share.

We note that the Subscription Price of HK\$0.70 per Rights Share is below the daily adjusted closing prices per Adjusted Share throughout the Review Period and represents (i) a discount of approximately 93.6% from the highest adjusted closing price; (ii) a discount of approximately 77.8% from the lowest adjusted closing price; and (iii) a discount of approximately 88.2% from the average daily adjusted closing price during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also note that the daily adjusted closing price per Adjusted Share in the Review Period demonstrated an overall declining trend as shown in the above diagram.

### *Comparison with recent rights issues*

We have conducted a search of rights issues announced by companies listed on the Stock Exchange during the six-month period prior to the date of the Underwriting Agreement and have identified, based on such search criteria, 33 rights issues (the “**Rights Issue Comparable(s)**”) for comparison purpose. To the best of our endeavour, we believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. We set out our findings in the following table:

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/ (Discount) of subscription price over/ (to) the closing price on the last trading day (%)	Premium/ (Discount) of subscription price over/ (to) the theoretical ex-rights price (Note 1) (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)	Excess application (Yes/No)
3 Sep 2014	Yuexiu Property Company Limited (123)	33 for 100	(25.2)	(20.4)	2.0	24.8	Yes
3 Sep 2014	Bright Smart Securities & Commodities Group Limited (1428)	1 for 2	(27.5)	(20.0)	2.5	33.4	Yes
2 Sep 2014	Midas International Holdings Limited (1172)	1 for 2	(46.8)	(37.0)	2.5	33.3	Yes
27 Aug 2014	Country Garden Holdings Company Limited (2007)	1 for 15	(30.9)	(29.6)	1.8	6.2	Yes

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/ (Discount) of subscription price over/ (to) the closing price on the last trading day (%)	Premium/ (Discount) of subscription price over/ (to) the theoretical ex-rights price (Note 1) (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)	Excess application (Yes/No)
27 Aug 2014	Realord Group Holdings Limited (1196)	1 for 4	(13.0)	(10.7)	2.0	20.0	Yes
25 Aug 2014	Venturepharm Laboratories Limited (8225)	3 for 2	(71.4)	(50.0)	0.0	60.0	Yes
20 Aug 2014	Rui Kang Pharmaceutical Group Investments Limited (8037)	1 for 2	(19.6)	(14.0)	2.5	33.3	No
18 Aug 2014	Guotai Junan International Holdings Limited (1788)	1 for 5	(9.6)	(8.1)	0.0	16.7	Yes
18 Aug 2014	China Yunnan Tin Minerals Group Company Limited (263)	9 for 1	(65.2)	(14.6)	3.0	90.0	Yes
17 Aug 2014	China Renji Medical Group Ltd (648)	1 for 2	(52.6)	(42.6)	4.0	33.3	No
12 Aug 2014	China New Economy Fund Limited (80)	1 for 2	(36.4)	(27.6)	2.5	33.3	No
11 Aug 2014	South East Group Limited (726)	8 for 1	(71.4)	(21.7)	2.5	88.9	Yes
11 Aug 2014	SMI Culture Group Holdings Limited (2366)	8 for 1	(83.3)	(35.7)	4.5	88.9	Yes
13 Jul 2014	China Gamma Group Limited (164)	1 for 2	(59.8)	(49.8)	1.0	33.3	Yes

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/ (Discount) of subscription price over/ (to) the closing price		Underwriting commission (%)	Maximum dilution (Note 2) (%)	Excess application (Yes/No)
			on the last trading day (%)	Premium/ (Discount) of subscription price over/ (to) the ex-rights price (Note 1) (%)			
11 Jul 2014	Opes Asia Development Limited (810)	4 for 1	(67.2)	(29.1)	2.5	80.0	No
11 Jul 2014	Sau San Tong Holdings Limited (8200)	3 for 1	(77.3)	(45.9)	2.5	75.0	Yes
3 Jul 2014	Applied Development Holdings Limited (519)	1 for 2	(69.3)	(57.8)	2.5	33.3	Yes
19 Jun 2014	Vision Fame International Holding Limited (1315)	1 for 1	(20.0)	(11.1)	1.0	50.0	No
13 Jun 2014	HKT Trust and HKT Limited (6823)	18 for 100	(20.7)	(18.1)	2.2	15.3	No
22 May 2014	eForce Holdings Limited (943)	16 for 1	(80.4)	(19.4)	3.0	94.1	Yes
11 May 2014	Uni-President China Holdings Ltd. (220)	1 for 5	(29.6)	(26.0)	1.2	16.7	Yes
2 May 2014	National Arts Entertainment and Culture Group Limited (8228)	6 for 1	(70.2)	(25.1)	2.5	85.7	Yes
22 Apr 2014	Haitong International Securities Group Limited (665)	1 for 2	(11.2)	(7.8)	0.0	33.3	Yes
11 Apr 2014	Merdeka Mobile Group Limited (8163)	4 for 2	(75.2)	(38.5)	3.5	80.0	No

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/ (Discount) of subscription price over/ (to) the closing price on the last trading day (%)	Premium/ (Discount) of subscription price over/ (to) the ex-rights price (Note 1) (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)	Excess application (Yes/No)
11 Apr 2014	China Primary Resources Holdings Limited (8117)	1 for 2	(56.7)	(46.6)	0.0	33.3	Yes
9 Apr 2014	Forsun International Limited (656)	39 for 500	0.0	0.0	0.0	7.2	Yes
9 Apr 2014	CMMB Vision Holdings Limited (471)	2 for 1 (Note 3)	(34.2)	(13.6)	2.5	75.0	No
26 Mar 2014	Dah Sing Financial Holdings Limited (440)	13 for 100	(34.0)	(31.3)	2.3	11.5	Yes
26 Mar 2014	Dah Sing Banking Group Limited (2356)	12 for 100	(33.3)	(30.9)	2.3	10.7	Yes
21 Mar 2014	China Mobile Games and Cultural Investment Limited (8081)	1 for 2	(23.4)	(16.9)	3.5	33.3	Yes
13 Mar 2014	New World Development Company Limited (17)	1 for 3	(36.3)	(30.0)	2.5	25.0	Yes
4 Mar 2014	Sincere Watch (Hong Kong) Limited (444)	1 for 2	(67.9)	(58.5)	2.5	33.3	Yes
3 Mar 2014	Oriental Unicorn Agricultural Group Limited (8120)	13 for 2	(57.3)	(15.2)	3.5	86.7	Yes
			<b>Maximum</b>	<b>0.0</b>	<b>0.0</b>	<b>4.5</b>	<b>94.1</b>
			<b>Minimum</b>	<b>(83.3)</b>	<b>(58.5)</b>	<b>0.0</b>	<b>6.2</b>
			<b>Average</b>	<b>44.8</b>	<b>(27.4)</b>	<b>2.1</b>	<b>44.7</b>
5 Sep 2014	The Company	8 for 1	(80.6)	(31.4)	1.0	88.9	Yes

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The theoretical ex-rights price is calculated by adding the market value of all the issued shares (based on the closing price of the shares on the last trading day) with the gross amount of subscription proceeds expected to be received from the rights issue (before expenses), and then divided by the total number of issued shares as enlarged by the rights issue. For example, in case of every 1 rights share for every 2 existing shares,  $(2 \times \text{closing price on the last trading day}) + 1 \times (\text{the subscription price}) / (2+1)$ .
2. Maximum dilution effect of each rights issue is calculated as:  $(\text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the rights shares under the basis of entitlement} + \text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement}) \times 100\%$ . For example, for a rights issue with basis of 1 rights share for every 1 existing share held with bonus issue on the basis of 1 bonus share for every 1 rights share taken up, the maximum dilution effect is calculated as  $((1+1)/(1+1+1)) \times 100 = 66.66\%$ .
3. The rights issue was on the basis of two rights shares for every one existing share and one bonus share for every two rights shares.

We note that the discount to the respective closing price per share on the last trading day represented by the Rights Issue Comparables ranged from approximately 83.3% to approximately 0.0%, with an average discount of approximately 44.8%. The Subscription Price represented a discount of approximately 80.6% to the adjusted closing price per Adjusted Share on the Last Trading Day, which falls within the range represented by the Rights Issue Comparables but represents a greater discount than the corresponding average represented by the Rights Issue Comparables.

We also note that the discount to the theoretical ex-rights price per share represented by the Rights Issue Comparables ranged from approximately 58.5% to approximately 0.0%, with an average discount of approximately 27.4%. The Subscription Price represented a discount of approximately 31.4% to the theoretical ex-rights price per Adjusted Share, which also falls within the range of the Rights Issue Comparables but represents a greater discount than the corresponding average represented by the Rights Issue Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Historical trading volume*

We have reviewed the trading volume data in respect of the Shares since September 2013 up to the Last Trading Day as illustrated in the table below:

<b>Month</b>	<b>Average daily trading volume of the Shares</b>	<b>Average daily trading volume as a percentage of the then total number of Shares in issue</b>
<b>2013</b>		
September	63,273,971	3.64%
October	29,586,773	1.50%
November	11,935,978	2.40%
December	1,537,177	0.92%
<b>2014</b>		
January	1,727,291	0.58%
February	1,049,918	0.35%
March	661,798	0.22%
April	1,204,538	0.38%
May	1,516,586	0.47%
June	3,848,381	1.06%
July	2,115,731	0.54%
August	4,561,863	1.05%
September (up to and including the Last Trading Day)	6,642,807	1.18%

*Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange*

We note that the average number of Shares traded per trading day in each month from September 2013 up to and including the Last Trading Date ranged from approximately 0.22% to approximately 3.64% of the then total number of Shares in issue. We consider that such trading volume represents relatively low trading liquidity of the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our view*

Notwithstanding the substantial discount represented by the Subscription Price to the adjusted closing prices per Adjusted Share in the Review Period and the comparison with the Rights Issue Comparables discussed above, we have taken into account that:

- (i) it is a common market practice that the subscription price of a rights issue is normally set at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue;
- (ii) the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, and the Rights Issue Comparables should therefore only be taken as a general market reference for the recent market practice in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices;
- (iii) as a general market reference only, the discounts represented by the Subscription Price are within the ranges of discounts represented by the Rights Issue Comparables;
- (iv) the Group recorded net loss for each of the latest three financial years as referred to in the paragraph headed “A.1.2. Business overview of the Group” above in this letter;
- (v) the daily adjusted closing price per Adjusted Share in the Review Period as discussed above demonstrated an overall declining trend;
- (vi) the trading volume of the Shares in the past year as discussed above represents relatively low trading liquidity of the Shares;
- (vii) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution, and participate as fully as they wish in the future development of the Company by way of applying for excess Rights Shares;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (viii) the Subscription Price was a commercial decision arrived at after arm's length negotiation between the Company and the Underwriter;
- (ix) as advised by the Directors, during the negotiation of the Underwriting Agreement, it was indicated to the Company that such level of the Subscription Price is necessary to enable the Underwriter and/or the sub-underwriters to provide the underwriting commitment.

Based on the foregoing, we consider that the discount represented by the Subscription Price as compared to the recent market prices of the Shares is inevitable for the Company to increase the attractiveness of the Rights Issue to the Qualifying Shareholders and to induce the Underwriter to participate in the underwriting of the Rights Issue, and that the Subscription Price is fair and reasonable.

### ***B.2.2. Underwriting commission***

The underwriting commission for the Rights Issue under the Underwriting Agreement is 1.0% of the aggregate Subscription Price in respect of the Rights Shares not subject to the Undertakings, as determined on the Record Date, where the Undertakings refer to the irrevocable undertaking given by each of Landmark Profits and Goodco to the Company and the Underwriter regarding the non-disposal of Shares and the taking up of the Rights Shares to be allotted to Landmark Profits and Goodco in full, details of which are set out in the Board Letter.

We note that the underwriting commissions in respect of the Rights Issue Comparables ranged from 0.0% to 4.5%, with an average of approximately 2.1%. As such, the underwriting commission of 1.0% under the Underwriting Agreement is within the range of the Rights Issue Comparables and is below the average commission rate of the Rights Issue Comparables. In view of the above, we consider that the underwriting commission of 1.0% under the Underwriting Agreement is on normal commercial term and is fair and reasonable as far as the Independent Shareholders are concerned.

***B.2.3. Excess application***

As stated in the Board Letter, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. Further details of the basis of allocation of excess Rights Shares will be disclosed in the Prospectus.

Based on the above, we are not aware of any unusual arrangement as compared to the Rights Issue Comparables. We therefore consider that such allocation basis is consistent with normal market practice.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *B.2.4. Potential dilution effect of the Rights Issue*

Under the scenarios of (i) the conversion rights attaching to the outstanding convertible note are not exercised; and (ii) full exercise of the outstanding convertible note, the following tables set out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after Capital Reorganisation but before the Completion; (c) immediately after Completion assuming all Rights Shares are taken up by Qualifying Shareholder; (d) immediately after Completion assuming only Landmark Profits and Goodco take up their Rights Shares:

#### **Scenario (i): no exercise of the outstanding convertible note**

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		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 Existing Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>	
		%		%		%		%
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
<i>Landmark Profits</i>	47,140,104	8.38	4,714,010	8.38	42,426,090	8.38	42,426,090	8.38
<i>Goodco</i>								
Shares	183,311,277	32.58	18,331,127	32.58	164,980,143	32.58	164,980,143	32.58
Underlying Shares of the outstanding convertible notes			To be adjusted		To be adjusted		To be adjusted	
	31,152,647							
<b>Sub-total</b>	230,451,381	40.96	23,045,137	40.96	207,406,233	40.96	207,406,233	40.96
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	265,771,376	52.48
Other public Shareholders	332,214,226	59.04	33,221,422	59.04	298,992,798	59.04	33,221,422	6.56
<b>Total</b>	<b>562,665,607</b>	<b>100.00</b>	<b>56,266,559</b>	<b>100.00</b>	<b>506,399,031</b>	<b>100.00</b>	<b>506,399,031</b>	<b>100.00</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Scenario (ii): full exercise of the outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		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 Existing Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>		<i>No. of Adjusted Shares</i>	
	Shares	%	Shares	%	Shares	%	Shares	%
<i>Landmark Profits</i>	47,140,104	7.94	4,714,010	7.94	42,426,090	7.94	42,426,090	7.94
<i>Goodco</i>								
Shares	214,463,924	36.12	21,446,392	36.12	193,017,528	36.12	193,017,528	36.12
Underlying Shares of the outstanding convertible note	—	0.00	—	0.00	—	0.00	—	0.00
<b>Sub-total</b>	261,604,028	44.06	26,160,402	44.06	235,443,618	44.06	235,443,618	44.06
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	265,771,376	49.72
Other public Shareholders	332,214,226	55.94	33,221,422	55.94	298,992,798	55.94	33,221,422	6.22
<b>Total</b>	<u>593,818,254</u>	<u>100.00</u>	<u>59,381,824</u>	<u>100.00</u>	<u>534,436,416</u>	<u>100.00</u>	<u>534,436,416</u>	<u>100.00</u>

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future business development of the Company should they wish to do so. For Qualifying Shareholders who take up their assured entitlements in full under the Rights Issue, they will be able to maintain their proportional shareholding interests in the Company after completion of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. As illustrated in the above tables, assuming that only Landmark Profits and Goodco have subscribed the Rights Shares, the percentage of shareholding of other public shareholders will be reduced from approximately 59.04% as at the Latest Practicable Date to approximately 6.56% upon Completion under the aforesaid scenario (i), and from approximately 55.94% as at the Latest Practicable Date to approximately 6.22% upon Completion under the aforesaid scenario (ii).

Notwithstanding the potential dilution to the Independent Shareholders' proportional shareholding interests in the Company as discussed above, having taken into account that:

- (i) the Independent Shareholders are offered an opportunity to attend and vote for or against the relevant resolution in relation to the Rights Issue and the Underwriting Agreement at the SGM;
- (ii) the Qualifying Shareholders can elect to accept the Rights Issue or not;
- (iii) the Qualifying Shareholders have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits;
- (iv) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their Rights Shares for the purpose of maintaining their respective pro-rata shareholding interests in the Company at a relatively deep discount as compared to the historical and prevailing market price of the Shares; and
- (v) those Qualifying Shareholders who take up their assured entitlements in full under the Rights Issue will be able to maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue,

we are of the view that the potential dilution effect on the existing shareholding interests of the Independent Shareholders, which may only result when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

### *B.2.5. Possible financial effects*

As discussed above, we note that:

- the Consideration of HK\$340.0 million is equivalent to the valuation of the Site of HK\$340.0 million as set out in the Valuation Report;
- the amount of the Sale Loan shall not exceed the Consideration upon Completion;
- an initial deposit of HK\$30.0 million had already been paid by the Company to the Vendor upon signing of the S&P Agreement and the remaining balance of the Consideration of HK\$310.0 million is intended to be financed by the net proceeds from the proposed Rights Issue; and
- the estimated net proceeds from the Rights Issue will be approximately HK\$312.0 million, of which HK\$310 million is intended to be used in relation to the purchase of the Sale Share and the Sale Loan as mentioned above and the remaining amount (if any) for general working purposes of the Company.

Based on the foregoing, we consider that the Rights Issue and the purchase of the Sale Share and the Sale Loan, taken together, (i) will not have a material impact on the Group's debt and equity as the Company is not raising debt financing to complete the transaction while the Consideration is equivalent to the value of the Site; and (ii) would reduce the Group's working capital by HK\$30.0 million, being the initial deposit already paid by the Company to the Vendor upon signing of the S&P Agreement, but in return the Company would be able to acquire the Site, which will be a bare site upon Completion and will be readily available for the Company's property development purposes.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that (i) the entering into of the S&P Agreement is in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the S&P Agreement, the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Robert Siu**  
*Managing Director*

*Note:* Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

**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](http://www.easyknitenterp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://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 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 statesponsored 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. Accordingly, 121,212,121 shares shall be issued by the Company to Goodco Development Limited upon conversion of the Convertible Note in the aggregate principal amount of HK\$80,000,000 in full at the prevailing conversion price of 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 circular 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 circular, 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 this circular.

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 this circular.



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Deloitte Touche Tohmatsu  
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88 Queensway  
Hong Kong

26 September 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 circular issued by Easyknit Enterprises Holdings Limited (the “Company”) dated 26 September 2014 in connection with the proposed very substantial acquisition and connected transaction of the entire issued share capital of the Target Company (the “Very Substantial Acquisition”) (the “Circular”).

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%	—	—	—	Property holding

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 and the years ended 31 March 2013 and 31 March 2014 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 Circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for the inclusion in the Circular.

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 Circular 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

	NOTES	Year ended 31 March		
		2012	2013	2014
		HK\$	HK\$	HK\$
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 development for or under 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

	<b>Share capital</b> <i>HK\$</i>	<b>Accumulated (losses) profits</b> <i>HK\$</i>	<b>2014 Total</b> <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 subsidiary		—	(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 were 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, 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 <sup>3</sup>
HKFRS 14	Regulatory deferral accounts <sup>5</sup>
HKFRS 15	Revenue from contracts with customers <sup>7</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 — 2012 cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 — 2013 cycle <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>6</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>6</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Beaser plants <sup>6</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>6</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
HK(IFRIC) — INT 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

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

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

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>7</sup> 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, which for the Relevant Periods continue to be those disclosures required, under the predecessor Companies Ordinance (Cap 32). 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 group companies) 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\$
<b>Financial assets</b>			
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>
<b>Financial liabilities</b>			
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 Company is exposed to cash flow interest rate risk in relation to its variable-rate bank balances. The management considers the Target Company 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 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>			
<b>Non-derivative financial liabilities</b>			
Amount due to ultimate holding company	—	663,425	663,425
		<u>663,425</u>	<u>663,425</u>
<u>2013</u>			
<b>Non-derivative financial liabilities</b>			
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>			
<b>Non-derivative financial liabilities</b>			
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 amount 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
	HK\$	HK\$	HK\$
(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 fee	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
	HK\$	HK\$	HK\$
(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	—	(595,065)	(756,360)
Taxation for the year	<u>—</u>	<u>—</u>	<u>—</u>

The Target Group has unused tax losses of approximately HK\$211,000, HK\$3,057,000 and HK\$6,355,000 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. As 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 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 accounting to HK\$12,850,000, and 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:

	<b>At date of disposal</b>
	<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:

	<b>At 31 March</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<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
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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 cost 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  
26 September 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) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the very substantial acquisition of the Target Group (the “Very Substantial Acquisition”), the proposed capital reorganisation of the Company involving the share consolidation, capital reduction and authorised capital increase as detailed in the Circular, (the “Capital Reorganisation”) and the proposed Rights Issue, as if the Very Substantial Acquisition Capital Reorganisation and Rights Issue had completed on 31 March 2014.

This unaudited pro forma consolidated statement of financial position of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Very Substantial Acquisition, Capital Reorganisation and Rights Issue been completed as at 31 March 2014 or at any future date.

	The Group as at 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 1)</i>	The Target Group as at 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments		The Enlarged Group as at 31 March 2014 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
<b>Non-current assets</b>					
Property, plant and equipment	605	—			605
Investment properties	640,569	—			640,569
Available-for-sale investments	16,139	—			16,139
	657,313	—			657,313
<b>Current assets</b>					
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
	732,189	297,787		14,236	1,044,212

	The Group as at 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 1)</i>	The Target Group as at 31 March 2014 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments		The Enlarged Group as at 31 March 2014 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
<b>Current liabilities</b>					
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>		<u>(296,261)</u>	<u>37,571</u>
<b>Net current assets</b>	<u>695,011</u>	<u>1,133</u>		<u>310,497</u>	<u>1,006,641</u>
<b>Total assets less current liabilities</b>	<u>1,352,324</u>	<u>1,133</u>		<u>310,497</u>	<u>1,663,954</u>
<b>Non-current liabilities</b>					
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>
<b>Net assets</b>	<u><u>1,123,094</u></u>	<u><u>1,133</u></u>		<u>310,497</u>	<u><u>1,434,724</u></u>
<b>Capital and reserves</b>					
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>		<u>310,497</u>	<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 II of this Circular 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, and (ii) transaction costs attributable to issue of new shares amounting to HK\$3,092,000, which will be settled by cash and (iii) The adjustments represent (i) 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 the Vendor 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 (ii) 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.

**(B) 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>

	<b>The Group for the year ended 31 March 2014 HK\$'000 (Audited) (Note 1)</b>	<b>The Target Group for the year ended 31 March 2014 HK\$'000 (Audited) (Note 2)</b>	<b>Pro forma adjustment HK\$'000 (Note 3)</b>	<b>The Enlarged Group for the year ended 31 March 2014 HK\$'000</b>
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	(192)	—		(192)
Other comprehensive expense for the year	(932)	—		(932)
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:*

- 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.
- 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 II of this Circular relating to accountants' report of the Target Group.
- 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.
- 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 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	The Target	Pro forma adjustments			The	
	for the	Group				Enlarged	
	year ended	for the				Group	
	31 March	year ended				for the	
	2014	31 March				year ended	
	2014	2014				31 March	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2014	
	(Audited)	(Audited)				HK\$'000	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
Cash (used in) from operations	(7,255)	(58,596)		(370)		4	(66,217)
Dividend received from investments held for trading	2,676	—					2,676
Net cash (used in) from operating activities	(4,579)	(58,596)		(370)		4	(63,541)
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	(551)	—					(551)
Net cash (used in) from investing activities	(62,205)	—		(210,947)	1,090		(272,062)

	The Group	The Target	Pro forma adjustments			The	The
	for the	Group				Enlarged	Enlarged
	year ended	for the				Group	Group
	31 March	31 March				for the	for the
	2014	2014				year ended	year ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	31 March	31 March
	(Audited)	(Audited)				2014	2014
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	HK\$'000	HK\$'000
						(Note 6)	
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	378,970	57,631	182,947			(57,631)	561,917
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	(139)						(139)
Cash and cash equivalents at end of the year, represented by bank balances and cash	589,458						503,586

*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 II of this Circular 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.

**(D) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON  
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****Deloitte.**  
**德勤**德勤·關黃陳方會計師行  
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**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 III-1 to III-9 of the circular issued by the Company dated 26 September 2014 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-9 of the Circular.

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, 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, 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, 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  
26 September 2014

*The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Vigers Appraisal And Consulting Limited, an independent valuer, in connection with their valuation of the 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



26 September 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 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 outgoings 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.

Only 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 additions, 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

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

## 2. DISCLOSURE OF INTERESTS

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

Name of Director	Capacity	Number of Existing Shares held (long position)	Number of underlying Existing Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (note i)	230,451,381	31,152,647	261,604,028	46.49%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (note ii)	230,451,381	31,152,647	261,604,028	46.49%

*Notes:*

- (i) These Existing 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 Existing 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 Existing Shares, underlying Existing 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 Shares and underlying 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 Existing Shares or underlying Existing 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 Existing Shares held (long position)	Number of underlying Existing Shares held	Total	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	230,451,381	31,152,647	261,604,028	46.49%
Landmark Profits	<i>i &amp; ii</i>	Beneficial owner	47,140,104	—	47,140,104	8.38%
Goodco	<i>i &amp; ii</i>	Beneficial owner	183,311,277	31,152,647	214,463,924	38.11%
Easyknit International	<i>i &amp; ii</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Magical Profits	<i>i &amp; iii</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Winterbotham Trust	<i>i &amp; iv</i>	Trustee	230,451,381	31,152,647	261,604,028	46.49%
Winterbotham Holdings Limited	<i>iv</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Markson International Holdings Limited	<i>iv</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Christopher Geoffrey Douglas Hooper	<i>iv</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Ivan Geoffery Douglas Hooper	<i>iv</i>	Interest of controlled corporation	230,451,381	31,152,647	261,604,028	46.49%
Get Nice Securities Limited	<i>v</i>	Beneficial owner	265,771,376	—	265,771,376	49.73%

Name of Shareholder	Note	Capacity	Number of Existing Shares held (long position)	Number of underlying Existing Shares held	Total	Approximate percentage of interest
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 261,604,028 Existing Shares, 47,140,104 Existing Shares and 183,311,277 Existing 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 31,152,647 underlying Existing 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 Existing 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 261,604,028 Existing 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 Geoffrey 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 Existing Shares or underlying Existing 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 carried on as intended to be carried on by the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the underwriting agreement dated 11 October 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;
- (b) 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;
- (c) 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;

- (d) 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;
- (e) 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;
- (f) 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 at the initial conversion price of HK\$0.68 per Share (subject to adjustment);
- (g) 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;
- (h) 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;
- (i) the S&P Agreement;
- (j) the Underwriting Agreement; and
- (k) 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. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Vigers Appraisal And Consulting Limited	Independent Professional Valuer
Messis Capital Limited	Independent Financial Adviser which is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
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 circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

## **9. 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 text of this circular prevails over the Chinese text.

## **10. 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 for a period of 14 days from the date of this circular:

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

- (b) the 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 letter from Messis Capital Limited, the text of which is set out on pages 45 to 77 of this circular;
- (d) the audited financial information of the Target Group for the three years ended 31 March 2012, 2013 and 2014 as set out in Appendix II to this circular;
- (e) 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 III to this circular;
- (f) the valuation report prepared by Vigers Appraisal And Consulting Limited, the text of which is set out in Appendix IV to this circular;
- (g) the letters of consent referred to in the paragraph headed “Experts and consents” in this appendix;
- (h) the material contracts referred to the paragraph headed “Material contracts” in this appendix;
- (i) 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
- (j) the S&P Agreement and the supplemental agreement;
- (k) the Underwriting Agreement; and
- (l) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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# EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 0616)

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Easyknit Enterprises Holdings Limited 永義實業集團有限公司 (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Monday, 20 October 2014, at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments:

### ORDINARY RESOLUTION

1. “**THAT** the conditional sale and purchase agreement dated 5 September 2014 and a supplemental agreement dated 15 September 2014 (copies of which are produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into by Easyknit Properties Holdings Limited as vendor and the Company as purchaser in relation to the sale and purchase of the entire issued share capital and the sale loan of Kingbest Capital Holdings Limited; and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

### SPECIAL RESOLUTION

2. “**THAT** subject to and conditional upon, (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agree to grant the listing of and permission to deal in the Adjusted Shares (as defined below); and (ii) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of

\* *for identification only*

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## NOTICE OF SPECIAL GENERAL MEETING

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Bermuda (as amended), with effect from 9:00 a.m. on 21 October 2014 (Hong Kong time) or such time or such other date and/or time as the directors of the Company may determine:

- (a) every ten (10) issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of par value HK\$0.10 (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”);
- (b) (i) the issued share capital of Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares in the share capital of the Company such that the par value of each issued Consolidated Share be reduced from HK\$0.10 to HK\$0.01 (the “**Issued Capital Reduction**”); (ii) the authorised share capital of the Company be reduced by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK\$0.10 each to HK\$0.01 each, resulting in the reduction of the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK\$0.01 each (“**Adjusted Shares**”);
- (c) the authorised share capital of the Company be increased 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;
- (d) the amount of credit arising from the Issued Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “**Directors**”) be and are hereby authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company); and
- (e) the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to give effect and implement the Share Consolidation, the capital reduction and the authorised capital increase.”

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## NOTICE OF SPECIAL GENERAL MEETING

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### ORDINARY RESOLUTION

3. “**THAT**

- (a) subject to and conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of rights issue of 450,132,472 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.70 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Friday, 24 October 2014 (Hong Kong time) (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, after making the relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of eights (8) Rights Shares for every one (1) Adjusted Share then held and otherwise pursuant to and subject to the fulfilment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked “**B**” and initialled by the chairman of this Meeting for the purpose of identification) dated 5 September 2014 and made between the Company, and Get Nice Securities Limited as underwriter (the “**Underwriter**”);

- (b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise

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## NOTICE OF SPECIAL GENERAL MEETING

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have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved; and
- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

By Order of the Board

**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**Kwong Jimmy Cheung Tim**

*Chairman and Chief Executive Officer*

Hong Kong, 26 September 2014

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*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

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the Board comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive Directors; Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive Directors; and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive Directors.