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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.

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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) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION AND AUTHORISED CAPITAL INCREASE;
- (2) CHANGE IN BOARD LOT SIZE;
- (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWENTY RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD AT THE RECORD DATE; AND
- (4) 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

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 12 to 36 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 37 to 38 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 Rights Issue and the transactions contemplated thereunder is set out on pages 39 to 64 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 Tuesday, 24 March 2015 at 9:10 a.m. is set out on pages N-1 to N-4 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 Thursday, 26 March 2015. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 8 April 2015 to Wednesday, 15 April 2015 (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 Wednesday, 22 April 2015. 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, 8 April 2015 to Wednesday, 15 April 2015 (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 4 to 5 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 rights, the Rights Issue will not proceed.

* for identification purposes only

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EXPECTED TIMETABLE

The expected timetable for the proposed Capital Reorganisation, the change in board lot size and the proposed Rights Issue is set out below:

Event	2015 (Hong Kong time)
Latest date for lodging proxy forms for the SGM	9:10 a.m. on Sunday, 22 March
Date and time of the SGM.....	9:10 a.m. on Tuesday, 24 March
Release of the SGM results announcement	Tuesday, 24 March
Effective date for the Capital Reorganisation	Wednesday, 25 March
Commencement of dealings in the Adjusted Shares.....	9:00 a.m. on Wednesday, 25 March
Original counter for trading in existing share certificates in board lots of 1,000 Existing Shares temporarily closes	9:00 a.m. on Wednesday, 25 March
Temporary counter for trading in Adjusted Shares in board lots of 50 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 25 March
First day of free exchange of existing share certificates for the Existing Shares into new share certificates for Adjusted Shares	9:00 a.m. on Wednesday, 25 March
Last day of dealings in Adjusted Shares on a cum-rights basis.....	Wednesday, 25 March
First day of dealings in Adjusted Shares on an ex-rights basis	Thursday, 26 March
Latest time for Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 27 March
Closure of register of members	Monday, 30 March
Record date and time.....	4:00 p.m. on Monday, 30 March

EXPECTED TIMETABLE

Register of members re-opens	Tuesday, 31 March
Despatch of Prospectus Documents	Wednesday, 1 April
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 8 April
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 10 April
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares.	9:00 a.m. on Monday, 13 April
Original counter for trading in Adjusted Shares in new board lots of 3,000 Adjusted Shares (in the form of new share certificates) re-opens.	9:00 a.m. on Monday, 13 April
Parallel trading in Adjusted Shares (in the form of both existing share certificates in board lots of 50 Adjusted Shares and new share certificates in board lots of 3,000 Adjusted Shares) commences	9:00 a.m. on Monday, 13 April
Last day of dealings in nil-paid Rights Shares.	4:00 pm on Wednesday, 15 April
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, 20 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional.	4:00 p.m. on Wednesday, 22 April
Announcement of the results of the Right Issue.	Thursday, 23 April
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares	Friday, 24 April

EXPECTED TIMETABLE

Certificates for fully paid Rights Shares to be despatched	Friday, 24 April
Commencement of dealings in fully paid Rights Shares.	9:00 a.m. on Monday, 27 April
Temporary counter for trading in board lots of 50 Adjusted Shares (in the form of existing share certificates) closes.	4:00 p.m. on Monday, 4 May
Parallel trading in the Adjusted Shares (in the form of new and existing share certificates) ends.	4:00 p.m. on Monday, 4 May
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, 4 May
Last day of free exchange of certificates for the Existing Shares into new certificates	Wednesday, 6 May

Notes:

- (i) *Dates 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.

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

DEFINITIONS

In 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, 20 April 2015 (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 of 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\$10,000,000 divided into 1,000,000,000 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\$0.19 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01; (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all unissued Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.20 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 1,000,000,000 Consolidated Shares to HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares of HK\$0.01 each; 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

DEFINITIONS

“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
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.20 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Authorised Capital Increase
“Director(s)”	director(s) of Easyknit Enterprises
“EAF(s)”	the excess application form(s) 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
“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 Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	the Shareholder(s), other than (i) Easyknit International, Landmark Profits and Goodco and their respective associates; (ii) those who are connected, interested or involved in the proposed Rights Issue; and (iii) those who are required to abstain from voting at the SGM to be convened to approve the Rights Issue and the matters relating thereunder
“Inverness Road Project”	the residential project of Nos. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total registered site area of 17,637 sq. ft.
“Inverness Road Property”	all the properties located at Nos. 14 & 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong
“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”	Monday, 2 February 2015, being the date of entering into the Underwriting Agreement
“Latest Practicable Date”	26 February 2015, 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 Wednesday, 22 April 2015, 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 Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong
“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 Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“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”	Wednesday, 1 April 2015 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”	Monday, 30 March 2015 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
“Rights Share(s)”	506,399,020 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of twenty Rights Shares for every one Adjusted Share held at the Record Date pursuant to the Rights Issue
“Settlement Date”	Wednesday, 22 April 2015, being the second Business Day following the Acceptance Time or such later date as the Company and the Underwriter may agree

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting to be convened and held to consider and approve the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder
“Share Consolidation”	the proposed consolidation of every twenty (20) 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), Consolidated Shares or Adjusted Share(s), as the case may be
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.65 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
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs
“Undertakings”	the conditional irrevocable undertakings dated 2 February 2015 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 2 February 2015, entered into between the Company and the Underwriter in relation to the underwriting and certain related arrangements in respect of the Rights Issue

DEFINITIONS

“Underwritten Shares” 298,992,800 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

“%” percentage

LETTER FROM THE BOARD



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

Executive Directors:

Mr. Kwong Jimmy Cheung Tim
(Chairman and Chief Executive Officer)

Ms. Lui Yuk Chu
(Deputy Chairman)

Ms. Koon Ho Yan Candy

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

2 March 2015

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION, CAPITAL REDUCTION AND
AUTHORISED CAPITAL INCREASE;
(2) CHANGE IN BOARD LOT SIZE; AND
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWENTY RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE
HELD AT THE RECORD DATE**

INTRODUCTION

On 2 February 2015, the Board put forward to the Shareholders a proposal of Capital Reorganisation which will comprise (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Authorised Capital Increase. The Board also proposed to change the board lot size for trading in the Shares from 1,000 Shares to 3,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

* *for identification purposes only*

LETTER FROM THE BOARD

Lastly, the Board proposed to raise approximately HK\$329.2 million, before expenses, by way of the Rights Issue of 506,399,020 Rights Shares at the Subscription Price of HK\$0.65 per Rights Share on the basis of twenty (20) 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\$326 million, of which approximately HK\$260 million are intended to be used for the redevelopment of Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes.

The number of Rights Shares to be issued pursuant to the Rights Issue represents 20 times the Company's issued share capital after the Capital Reorganisation becomes effective and approximately 95.2% 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.

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

The purpose of this circular is to provide you with (i) information about the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of 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 Rights Issue and the transactions contemplated thereunder; (iv) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group and (v) a notice of the SGM.

LETTER FROM THE BOARD

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 twenty (20) 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\$0.19 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01; (ii) the authorised share capital of Easyknit Enterprises be reduced by reducing the par value of all unissued Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.20 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 1,000,000,000 Consolidated Shares to HK\$10,000,000 divided into 1,000,000,000 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\$10,000,000 divided into 1,000,000,000 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 prevailing conversion price of HK\$2.498 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\$5,063,990.31, represented by 506,399,031 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\$253,199.51 represented by 25,319,951 whole 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.

LETTER FROM THE BOARD

The effect of the Capital Reorganisation is summarised below:

	Prior to the Capital Reorganisation	Immediately following the Capital Reorganisation becoming effective (Note)
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	506,399,031	25,319,951
Issued and fully paid-up share capital	HK\$5,063,990.31	HK\$253,199.51

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 506,399,031 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$4.81 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 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.

LETTER FROM THE BOARD

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.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on Wednesday, 25 March 2015.

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.

LETTER FROM THE BOARD

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 green 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 Wednesday, 25 March 2015 to Wednesday 6 May 2015 (both dates inclusive) to exchange, at the expense of the Company, for new certificates for the Adjusted Shares (in pink 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, 4 May 2015, being the latest time for trading in board lots of 50 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.

CHANGE IN BOARD LOT SIZE

The Board also proposes to change the board lot size for trading in the Existing Shares from 1,000 Existing Shares to 3,000 Adjusted Shares subject to and on the Capital Reorganisation becoming effective.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence 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 Monday, 13 April 2015 to 4:00 p.m. on Monday, 4 May 2015 (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.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Twenty (20) 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 at the Latest Practicable Date	:	506,399,031 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	25,319,951 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	:	506,399,020 Adjusted Shares
Aggregate nominal value of the Rights Shares	:	HK\$5,063,990.20
Subscription Price	:	HK\$0.65 per Rights Shares
Enlarged issued share capital of Easyknit Enterprises immediately upon completion of the Rights Issue	:	531,718,971 Adjusted Shares
Fund raised before expenses	:	approximately HK\$329.2 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\$0.644 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 prevailing conversion price of HK\$2.498 per Existing Share (subject to adjustment).

LETTER FROM THE BOARD

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\$326 million of which approximately HK\$260 million are intended to be used for the redevelopment of Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes.

Basis of allotment

The basis of allotment will be twenty (20) 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\$0.65 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 85.62% to the adjusted closing price of HK\$4.52 per Adjusted Share, based on the closing price of HK\$0.226 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 85.16% to the adjusted average closing price of HK\$4.38 per Adjusted Share, based on the average closing price of HK\$0.219 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 21.68% to the theoretical ex-rights price of HK\$0.83 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.226 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

LETTER FROM THE BOARD

- (iv) a discount of approximately 73.14% to the adjusted closing price of HK\$2.420 per Adjusted Share, based on the closing price of HK\$0.121 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 10.96% to the theoretical ex-rights price of HK\$0.734 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.121 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

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.

LETTER FROM THE BOARD

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, 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 4:30 p.m. on Friday, 27 March 2015.

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.

LETTER FROM THE BOARD

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 4:30 p.m. on Friday, 27 March 2015.

The Latest time for acceptance of and payment for the Rights Issue will be 4:00 p.m. on Monday, 20 April 2015, 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 Monday, 30 March 2015 and re-opened on Tuesday, 31 March 2015. No transfers of Shares will be made on the said date.

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 Friday, 24 April 2015 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 Friday, 24 April 2015 by ordinary post to the applicants at their own risk.

LETTER FROM THE BOARD

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 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
- (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.

LETTER FROM THE BOARD

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 3,000 Adjusted Shares.

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 207,406,233 Shares, representing approximately 40.96% 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 prevailing conversion price of HK\$2.498 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 207,406,220 Rights Shares. Landmark Profits and Goodco will not apply for any excess Rights Shares.

LETTER FROM THE BOARD

Underwriting Agreement

Date	:	2 February 2015
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 298,992,800 Rights Shares
Commission	:	1.0% of the aggregate Subscription Price in respect of the Rights Shares not subject to the Undertakings, as determined on the Record Date

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Underwriter has no interest in 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 Thursday, 26 March 2015. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 8 April 2015 to Wednesday, 15 April 2015 (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, 8 April 2015 to Wednesday, 15 April 2015 (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 of the Rights Issue; (c) immediately after completion of the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholder; and (d) immediately after completion of the Rights Issue 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 of the Rights Issue		Immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (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>	42,426,090	8.38	2,121,304	8.38	44,547,384	8.38	44,547,384	8.38
<i>Goodco</i>								
— Shares of the Company	164,980,143	32.58	8,249,007	32.58	173,229,147	32.58	173,229,147	32.58
— Underlying shares of the Company of the outstanding convertible notes (Notes 1 and 2)	8,006,405		To be adjusted (Note 3)		To be adjusted (Note 3)		To be adjusted (Note 3)	
Sub-total	207,406,233	40.96	10,370,311	40.96	217,776,531	40.96	217,776,531	40.96
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	298,992,800	56.23
Other public Shareholders	298,992,798	59.04	14,949,640	59.04	313,942,440	59.04	14,949,640	2.81
Total	506,399,031	100.00	25,319,951	100.00	531,718,971	100.00	531,718,971	100.00

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 of the Rights Issue		Immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	<i>No. of Existing Shares</i>	<i>%</i>	<i>No. of Adjusted Shares</i>	<i>%</i>	<i>No. of Adjusted Shares</i>	<i>%</i>	<i>No. of Adjusted Shares</i>	<i>%</i>
<i>Landmark Profits</i>	42,426,090	8.25	2,121,304	8.25	44,547,384	8.25	44,547,384	8.25
<i>Goodco</i>								
— Shares of the Company	172,986,548	33.63	8,649,327	33.63	181,635,867	33.63	181,635,867	33.63
— Underlying shares of the Company of the outstanding convertible notes (<i>Notes 1 and 2</i>)	—	0.00	—	0.00	—	0.00	—	0.00
Sub-total	215,412,638	41.88	10,770,631	41.88	226,183,251	41.88	226,183,251	41.88
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	298,992,800	55.35
Other public Shareholders	298,992,798	58.12	14,949,640	58.12	313,942,440	58.12	14,949,640	2.77
Total	514,405,436	100.00	25,720,271	100.00	540,125,691	100.00	540,125,691	100.00

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.

LETTER FROM THE BOARD

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 298,992,800 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 prevailing conversion price of HK\$2.498 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 THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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

Upon the completion of the acquisition of all properties of Nos. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong for HK\$169,500,000 on 15 January 2015, the Group planned to commence the redevelopment of the Inverness Road Project in May 2015.

As mentioned in the Company's circular dated 26 September 2014 relating to the acquisition of Nos. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong (registered site area of approximately 8,441 sq.ft. and a maximum gross floor area of approximately 25,323 sq.ft.), the estimated redevelopment cost was HK\$245 million. Following the completion of the acquisition of Nos. 18 and 20 Inverness Road, the Inverness Road Project incorporated the site of Nos. 14, 16, 18 and 20 Inverness Road

LETTER FROM THE BOARD

with a total registered site area of 15,500 sq.ft. and having a maximum gross floor area of approximately 46,500 sq.ft. which leads to a higher estimated redevelopment cost of approximately HK\$500 million to HK\$550 million at current prices. This redevelopment cost is higher because of the increase in the maximum gross floor area and the increase in the land premium to be payable to the government. The site will be developed into properties for residential use and the Directors estimated that it will take approximately 4 years. The preliminary allocation of the development cost is 15% (for demolition and foundation works) and 65% (payment of land premium) are to be utilised in 2015 and 2016 respectively; and the remaining 20% for 2017 and 2018. Since the demolition and foundation works of the Inverness Road Project will commence in 2015, a cost amounting to approximately HK\$75 million to HK\$82.5 million is expected to be utilised shortly in 2015. Following the payment of land premium amounting to approximately HK\$325 million to HK\$357.5 million in 2016, the development cost to be incurred in 2015 and 2016 in aggregate amounting to approximately HK\$400 million to HK\$440 million is expected to arise imminently. Since timely financing is vital to the progression of the Inverness Road Project, Directors consider that it is necessary for the Group to obtain new funding to commit the Inverness Road Project and therefore the funding need of the Company is commercially justifiable. Moreover, the Group may be able to reduce the number of fund raising activities which could be costly and time consuming to the Group by raising HK\$260 million upfront to satisfy the imminent need of funding for the Inverness Road Project. For the remaining balance of the development cost, the Company shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances. The redevelopment cost includes but without limitation to the planning and design, demolition, foundation works, superstructure construction and interior works. The general building plan to redevelop the Inverness Road Project has been submitted to Buildings Department on 26 January 2015 and the approval shall be obtained in 6 months' time; and the issuance of the consent for work commencement shall be obtained in early 2016. The construction works of the superstructure targets to commence in early 2017.

As at 31 December 2014, the Group has unaudited cash and cash equivalents of approximately HK\$271 million, of which RMB49 million, is equivalent to HK\$60 million, is tied up in the PRC as investment capital which it is not practical to be transferred back to Hong Kong. Of the balance of HK\$211 million, approximately HK\$205 million has been earmarked for the acquisition of the Matheson Street Project, leaving the balance funds is approximately HK\$6 million. In addition, as at 31 December 2014, the Group has a portfolio of securities investment with fair value of approximately HK\$100 million.

For the Matheson Street Project, the total gross floor area is approximately 2,857 sq.ft., of which 1,021 sq.ft has been acquired by the Company which represents 35% interests in the Matheson Street Project. The Company has already earmarked approximately HK\$205 million for the acquisition of such properties and since negotiations with the owners of the properties of Nos. 11 and 13 Matheson Street for the purchase of their respective units are ongoing, therefore as at the Latest Practicable Date, the Company has no concrete redevelopment plan. The Directors estimated that the acquisitions of such properties will require financial resources of between HK\$300 million and HK\$350 million at current prices; and the redevelopment costs is currently estimated to be between HK\$250 million and HK\$300 million. For the remaining balance of the acquisition cost and the redevelopment cost, the Company shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances.

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The Group expects to raise net proceeds of approximately HK\$326 million from the Rights Issue, after payment of expenses (equivalent to a net proceeds of HK\$0.644 per Rights Share).

The Company intends to apply the net proceeds of the Rights Issue as to approximately HK\$260 million for redevelopment cost of the Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes. The Rights Issue will increase equity capital base and strengthen the capital structure and balance sheet of the Company. For the remaining balance of the redevelopment cost, the Company shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances.

Apart from the Rights Issue, the Company has also considered alternative fund raising methods, such as debt financing and a private placing equity. In regard to debt financing, the Directors consider that this will incur interest costs that to affect the profitability of the Group as well as creating a liability on its balance sheet. In regard to the placing, the Directors are of the view that it would cause a material dilution effect to the shareholding of the existing Shareholders as it would involve the issue of a substantial amount of new Shares and the existing Shareholders may lose the opportunity to participate in the placing. The Directors are in the view that they may consider and arrange banking facilities for financing the development cost of the Inverness Road Project but as at the Latest Practicable Date, the Company has no concrete plan in obtaining banking facilities yet. The Board considers that the Rights Issue will allow the Group to strengthen the balance sheet without incurring any interest cost and 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 proposed Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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:

Fund raising activities of the Company in the past 12 months

Date	Fund raising activity	Discount or premium of the price of the fund raising activity	Individual dilution effect of the fund raising activity	Accumulated dilution effect of the fund raising activities	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	The initial conversion price of HK\$0.68 represented a premium of approximately 15.25% to the closing price of HK\$0.59 as quoted on the Stock Exchange on 16 January 2014	(i) Conversion on 3 April 2014 (“Conversion 1”) – Dilution to the shareholding of the existing Shareholders represented a dilution of approximately 9.02%	(i) The shareholding of the existing Shareholders would decrease from 100% to 90.98%	HK\$98.7 million*	For the acquisition and redevelopment of the Matheson Street Project	To be applied as intended
			(ii) Conversion on 29 August 2014 (“Conversion 2”) – Dilution to the shareholding of the existing Shareholders represented a dilution of approximately 16.61%	(ii) The shareholding of the existing Shareholders would decrease from 63.21% to 52.71%			
6 June 2014	Placing of 65,200,000 new Shares under general mandate (“Placing 1”)	The placing price of HK\$0.35 represented a discount of approximately 11.39% to the closing price of HK\$0.395 as quoted on the Stock Exchange on 6 June 2014	Dilution to the shareholding of the existing Shareholders represented a dilution of approximately 16.67%	The shareholding of the existing Shareholders would decrease from 90.98% to 75.81%	HK\$22.5 million	For general working capital	Applied as intended

LETTER FROM THE BOARD

Date	Fund raising activity	Discount or premium of the price of the fund raising activity	Individual dilution effect of the fund raising activity	Accumulated dilution effect of the fund raising activities	Net proceeds	Proposed use of proceeds	Actual use of proceeds
11 August 2014	Placing of 78,000,000 new Shares under general Mandate ("Placing 2")	The placing price of HK\$0.30 represented a discount of approximately 16.66% to the closing price of HK\$0.36 as quoted on the Stock Exchange on 11 August 2014	Dilution to the shareholding of the existing Shareholders represented a dilution of approximately 16.62%	The shareholding of the existing Shareholders would decrease from 75.81% to 63.21%	HK\$23.1 million	For general working capital	Applied as intended
5 September 2014	Rights Issue of 450,132,472 new Shares ("Rights Issue 2014")	The subscription price of HK\$0.70 represented a discount of approximately 80.82% to the then adjusted closing price of HK\$3.65 per adjusted share, based on the closing price of HK\$0.365 per share as quoted on the Stock Exchange on 5 September 2014	Dilution to the shareholding of the existing Shareholders represented a dilution of approximately 88.89%	The shareholding of the existing Shareholders would decrease from 52.71% to 5.85%	HK\$312.0 million	For the acquisition of Inverness Road Property	Applied as intended

Note:

- * Since the net proceeds of HK\$98.7 million was approved by the Shareholders on 7 March 2014 for the purpose to redevelop the Matheson Street Project and therefore the Directors are in the view that it is appropriate to continue earmarking such funds for Matheson Street Project. As at the Latest Practicable Date, such funds are deposited in the banks.

LETTER FROM THE BOARD

DILUTION EFFECT OF THE FUND RAISING ACTIVITIES OF THE COMPANY

The table below sets out the dilution effects of the fund raising activities taking into account of the fund raising activities of the Company in the past 12 months, the proposed Share Consolidation and the proposed Rights Issue:

Dilution effect of the fund raising activities of the Company

	Immediately before completion of issue of convertible note	Immediately after completion of issue of convertible note	Immediately after completion of the Conversion 1	Immediately after completion of the Conversion 1 and the Placing 1	Immediately after completion of the Conversion 1, the Placing 1 and the Placing 2	Immediately after completion of the Conversion 1, the Placing 1, the Placing 2 and the Conversion 2 (note 3)	Immediately after consolidation for every 10 issued and unissued share be consolidated into 1 consolidated share which became effective on 21 October 2014	Immediately after completion of the Conversion 1, the Placing 1, the Placing 2 and the Rights Issue 2014	Immediately after the proposed Share Consolidation for every 20 issued and unissued Share be consolidated into 1 Consolidated Share	Immediately after completion of the Conversion 1, the Placing 1, the Placing 2, the Conversion 2, Rights Issue 2014 and the proposed Rights Issue
	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares
	%	%	%	%	%	%	%	%	%	%
Landmark Profits Shares	47,140,104	47,140,104	47,140,104	47,140,104	47,140,104	47,140,104	4,714,010	4,714,010	235,700	235,700
rights shares							8.38	0.93	0.93	0.93
Goodco Shares	60,441,570	60,441,570	60,441,570	60,441,570	60,441,570	60,441,570	10.74	1.19	1.19	1.19
conversion shares							10.74	1.19	1.19	1.19
rights shares							21.84	2.43	2.43	2.43
							146,649,016	146,649,016	7,332,451	7,332,451
Public Shareholders:										
Other public Shareholders	189,014,226	189,014,226	189,014,226	189,014,226	189,014,226	189,014,226	33.59	3.73	3.73	3.73
Placées of the Placing 1							33.59	3.73	3.73	3.73
Placées of the Placing 2							11.59	1.29	1.29	1.29
Placées of the Rights Issue 2014 and other public Shareholders							7,800,000	7,800,000	7,800,000	7,800,000
Placées of the proposed Rights Issue and other public Shareholders							265,771,376	265,771,376	13,208,569	13,208,569
Total	296,595,900	296,595,900	296,595,900	296,595,900	296,595,900	296,595,900	100.00	100.00	100.00	100.00
Remaining value of the existing shares after accumulated dilution effect							90.98%	5.85%	5.85%	0.29% (note 4)

LETTER FROM THE BOARD

Notes:

1. Upon completion of the issue of convertible note, Goodco held an outstanding convertible note in aggregate principal amount of HK\$100 million which is convertible into Shares during the five-year period commencing from 27 March 2014 at the initial conversion price of HK\$0.68 per Share (subject to adjustment). On 27 March 2014, no conversion right has been exercised by Goodco.
2. On 3 April 2014, Goodco exercised the conversion right attaching to the conversion note in the principal amount of HK\$20 million at the then prevailing conversion price of HK\$0.68 per Share.
3. On 29 August 2014, Goodco exercised the conversion right attaching to the conversion note in the principal amount of HK\$60 million at the then prevailing conversion price of HK\$0.642 per Share.
4. As a result of the series of share placements and corporate exercises (including the proposed Rights Issue) of the Company in the past 12 months immediately preceding to the date of this circular, the accumulated dilution effect with reference to the number of existing Shares in issue as at 1 January 2014 (i.e. 296,595,900 Shares) is 99.71%.

The Directors are in the view that the Rights Issue offers the Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the 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 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.

For 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. Notwithstanding the potential dilution to the Shareholders' proportional shareholding interests in the Company, having taken into account that:

- (i) the 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 Shareholders can elect to accept the Rights Issue or not;
- (iii) the 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 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 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,

LETTER FROM THE BOARD

the Directors have considered the individual dilution impact of the Rights Issue, the cumulative dilution impacts of the fund raising activities and the percentage of cumulative dilution to the existing shareholding interests of the Shareholders, are of the view that the potential dilution effect on the existing shareholding interests of the Shareholders, which may only result when the Shareholders do not subscribe for their pro-rata Rights Shares, is in the interests of the Shareholders and the Company as a whole.

LISTING RULES IMPLICATIONS

The number of Rights Shares to be issued pursuant to the Rights Issue represents 20 times the Company's issued share capital after the Capital Reorganisation and approximately 95.2% 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 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 Tuesday, 24 March 2015 at 9:10 a.m. is set out on N-1 to N-4 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.

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.

LETTER FROM THE BOARD

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 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 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 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 37 to 38 of this circular which contains its recommendations to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 39 to 64 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EASYKNIT ENTERPRISES HOLDINGS LIMITED
永義實業集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 0616)

2 March 2015

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 2 March 2015 (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 Rights Issue and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of 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 Rights Issue and the transactions contemplated thereunder.

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 Rights Issue and the transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the transactions contemplated thereunder are in the interests of the Company 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 Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Kan Ka Hon	Lau Sin Ming	Foo Tak Ching
<i>Independent non-executive</i>	<i>Independent non-executive</i>	<i>Independent non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

2 March 2015

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

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWENTY 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 respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 2 March 2015 (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 2 February 2015, the Company announced that, among other things, the Board proposed to raise approximately HK\$329.2 million, before expenses, by way of Rights Issue of 506,399,020 Rights Shares at the Subscription Price of HK\$0.65 per Rights Share on the basis of twenty (20) 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\$326 million, of which approximately HK\$260 million are intended to be used for the redevelopment of Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes.

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 Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, its wholly-owned subsidiaries, is interested in 207,406,233 Existing Shares (or 10,370,311 Adjusted Shares), representing approximately 40.96% of the total issued share capital of the Company. Each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriters that the Company's Shares beneficially owned by them will not be disposed of or transferred from the date of the Undertaking, being the date of the Underwriting Agreement, to the Record Date and that the Rights Shares to be allotted in respect of those Adjusted Shares will be taken up in full, representing a total of 207,406,220 Right Shares. Landmark Profits and Goodco will not apply for any excess Rights Shares.

Furthermore, the number of Rights Shares to be issued pursuant to the Rights Issue represents twenty times the Company's issued share capital after the Capital Reorganisation and approximately 95.2% 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. In accordance with the Listing Rules, Landmark Profits and Goodco and their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue 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 by the Board for the purpose of, among other things, advising the Independent Shareholders in relation to the proposed Rights Issue.

We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution to approve the Rights Issue at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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:

Date of the relevant circular and our letter of advice	Nature of the transaction
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
26 September 2014	Very substantial acquisition and connected transaction and rights issue

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, the Underwriter or their respective subsidiaries or associates. We have not considered the taxation implication on the Group or the Shareholders as a result of 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, we have considered the principal factors and reasons set out below:

(1) Background information and outlook of the Group

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

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2014 and six months ended 30 September 2014 extracted from the Company's annual report for the year ended 31 March 2014 (the "Annual Report 2014") and interim report for the six months ended 30 September 2014 (the "Interim Report 2014") respectively:

Chart 1: Consolidated Statement of Profit or Loss

	For the year ended 31 March		For the six months ended 30 September	
	2014 (audited) HK\$'000	2013 (audited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Turnover	156,940	223,756	128,455	103,753
Property investments	13,927	11,780	8,389	6,345
Garment sourcing and exporting	142,138	211,770	119,532	96,969
Investment in securities	—	—	—	—
Loan financing	875	206	534	439
(Loss)/profit for the year from continuing operations	(2,541)	(21,922)	(76,084)	4,071
(Loss)/profit for the year attributable to owners of the Company	(2,541)	4,695	(76,084)	4,071

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chart 2: Consolidated Statement of Financial position

	As at 31 March		As at 30 September	
	2014 (audited) HK\$'000	2013 (audited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Non-current assets	657,313	630,515	888,939	647,345
Current assets	732,189	373,464	487,338	518,862
Current liabilities	37,178	31,298	53,463	44,304
Non-current liabilities	229,230	174,802	177,251	173,092
Capital and reserves	1,123,094	797,879	1,145,563	948,811

Chart 3: Extract of segment assets

	As at 31 March		As at 30 September	
	2014 (audited) HK\$'000	2013 (audited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Segment assets				
Property investments	721,188	705,339	900,076	723,603
Garment sourcing and exporting	6,515	20,952	25,021	21,129
Investment in securities	131,669	72,909	150,258	100,308
Loan financing	17,591	17,588	29,188	17,591
Unallocated bank balances and cash	512,052	186,936	241,561	173,335
Others	487	255	30,173	241
Consolidated assets	1,389,502	1,003,979	1,376,277	1,166,207

Financial year ended 31 March 2014 versus financial year ended 31 March 2013

From the table above, the total turnover of the Group for the year ended 31 March 2014 decreased by approximately 29.9% from approximately HK\$223.76 million to approximately HK\$156.94 million. With reference to the Annual Report 2014, the decrease was mainly attributable to the decrease in turnover generated by the garment sourcing and export segment which contributed over 90% of total turnover of the Group in year 2014. The garment sourcing and export segment recorded a turnover of approximately HK\$142.14 million in year 2014 (2013: approximately HK\$211.77 million), representing a decrease of approximately 32.9% as compared with the previous year whereas the property investments segment recorded a turnover of approximately HK\$13.9 million (2013: approximately HK\$11.8 million) representing an increase of approximately 18.23% as compared with the previous year. According to the Annual Report 2014, we note that the reason for the poor performance of the garment sourcing and export segment was mainly due to transfer of customer orders and slow economic recovery of the global markets that affects

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the garment export business of the Group and the reason for the increase in turnover of the property investments segment was 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.

While the result from continuing operations is being considered, loss for the year ended 31 March 2014 has decreased by approximately 88.4% from approximately HK\$21.9 million to HK\$2.5 million for the last corresponding year. Such improvement was mainly attributable to the reduced loss on changes in fair value of investment properties.

Six months period ended 30 September 2014 versus six months period ended 30 September 2013

The turnover of the Group for the six months period ended 30 September 2014 increased by approximately 23.8% from approximately HK\$103.8 million to approximately HK\$128.5 million. We note that such increase was mainly attributable to the increase in turnover generated by the garment sourcing and export segment due to increase in sales volume with major customers. Contribution from property investment segment also increased from HK\$6.3 million to HK\$8.39 million due to 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 recorded an unaudited net loss of approximately HK\$76.08 million, which has decreased significantly from a profit of HK\$4.07 million for the last corresponding period. The loss was mainly attributable to a loss of HK\$103.83 million on changes in fair value of investment properties.

There was a gradual increase in the Group's non-current assets from approximately HK\$630.52 million as at 31 March 2013 to approximately HK\$888.94 million as at 30 September 2014 as shown in the above table. 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. As at 30 September 2014, approximately 71.68% (in terms of value) of investment properties is located in Hong Kong while the remaining is located in the PRC.

The continuous addition of investment properties by the Group throughout the period concurs with the view of the Group as stated in the Annual Report 2014 that *“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.”*

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(2) Background of and reasons for the Rights Issue

The Company has completed the acquisition of all properties of Nos.18 and 20 Inverness Road on 15 January 2015 and intends to apply a majority of the net proceeds of the Rights Issue approximating HK\$260 million to the redevelopment of the Inverness Road Project.

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
16 January 2014	Issue of convertible note with an aggregated principal amount of HK\$100 million which may be converted into Shares	HK\$98.7 million	For the acquisition and redevelopment of the Matheson Street Project	To be applied as intended
6 June 2014	Placing of 65,200,000 new Shares under general mandate	HK\$22.5 million	For general working capital	Applied as intended
11 August 2014	Placing of 78,000,000 new Shares under general mandate	HK\$23.1 million	For general working capital	Applied as intended
5 September 2014	Rights Issue of 450,132,472 new Shares	HK\$312.0 million	For the acquisition of Inverness Road Property	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 unutilised proceeds from these funds raising activities previously ear-marked by the Company for the Matheson Street Project. The Directors estimated that the redevelopment cost of the Inverness Road Project is between HK\$500 million and HK\$550 million at current prices including but without limitation to the planning and design, demolition, foundation works, superstructure construction and interior works. As at 31 December 2014, the Group has unaudited cash and cash equivalents of approximately HK\$271 million, of which RMB49 million (equivalent to HK\$60 million) is tied up in the PRC as investment capital which it is not practical to be transferred back to Hong Kong. Of the balance of HK\$211 million, approximately HK\$205 million has been ear-marked for the acquisition and redevelopment of the Matheson Street Project,

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leaving the balance funds is approximately HK\$6 million. Accordingly, the remaining balance of the fund is insufficient to commence the Inverness Road Project. According to the Letter from the Board, the Directors estimated that the Inverness Road Project will take approximately 4 years to develop into residential use. The preliminary allocation of the development cost of approximately HK\$500 million to HK\$550 million is 15% (for demolition and foundation works) and 65% (payment of land premium) are to be utilised in 2015 and 2016 respectively; and the remaining 20% for 2017 and 2018. Since the demolition and foundation works of the Inverness Road Project will commence in 2015, a cost amounting to approximately HK\$75 million to HK\$82.5 million is expected to be utilised shortly in 2015. Following the payment of land premium amounting to approximately HK\$325 million to HK\$357.5 million in 2016, the development cost to be incurred in 2015 and 2016 in aggregate amounting to approximately HK\$400 million to HK\$440 million is expected to arise imminently. Since timely financing is vital to the progression of the Inverness Road Project, we consider that it is necessary for the Group to obtain new funding to commit the Inverness Road Project and therefore the funding need of the Company is commercially justifiable. Moreover, the Group may be able to reduce the number of fund raising activities which could be costly and time consuming to the Group by raising HK\$260 million upfront to satisfy the imminent need of funding for the Inverness Road Project. For the remaining balance of the development cost, the Company shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances.

Overview of the Hong Kong property market

Since the Company intends to apply the net proceeds of the Rights Issue for redevelopment of Inverness Road Project, we have researched on the government official information with respect to the property market in Hong Kong accordingly.

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:

Year	Month	Rents	Prices
2011		134.0	182.1
2012		142.6	206.2
2013		154.5	242.4
2014	1-3	155.3	244.2
	4-6	156.6	247.6
	7-9*	160.9	261.3

Sources: *Hong Kong Property Review — Monthly Supplement January 2015 and property market statistics published on the website of the Rating and Valuation Department of the Hong Kong government*

* denotes provisional figures

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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 160.9 in the third quarter of 2014, representing an increase of approximately 20.1% over the period. Meanwhile, the price index increased from 182.1 in 2011 to 261.3 in the third quarter of 2014, representing a growth of approximately 43.5% over the period.

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	169.3	505.5
	4-6*	172.5	514.0
	7-9*	174.2	523.1

Sources: *Hong Kong Property Review — Monthly Supplement January 2015 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 174.2 in the third quarter of 2014, representing an increase of approximately 29.7% over the entire period. Meanwhile, the price index increased from 327.4 in 2011 to 523.1 in the third quarter of 2014, representing a growth of approximately 59.8% over the entire period. Taking into consideration the government official statistics, we are positive of the outlook of property market in Hong Kong.

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 two 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

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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 meet the funding need of the Company in the redevelopment of the Inverness Road Project.

Our view

Having considered that (i) funds raised previously are intended to be applied in the Matheson Street Project as ear-marked by the Company, leaving insufficient funds for the Inverness Road Project; (ii) there is a funding need for the redevelopment of the Inverness Road Project after the completion of the acquisition of all properties of Nos.18 and 20 Inverness Road on 15 January 2015; (iii) the positive outlook of property market in Hong Kong as analysed above; and (iv) benefits of financing by way of Rights Issue outweigh that of other financing alternatives as discussed above, we are of the view that the Rights Issue to finance redevelopment of Inverness Road Project is in the interest of the Company and the Shareholders as a whole.

(3) Principal terms of the Rights Issue

The Company proposes to raise approximately HK\$329.2 million, before expenses, by way of Rights Issue of 506,399,020 Rights Shares at the Subscription Price of HK\$0.65 per Rights Share on the basis of twenty (20) 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\$326 million, of which approximately HK\$260 million are intended to be used for the redevelopment of Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes.

Subscription Price

The Subscription Price of HK\$0.65 per Rights Share 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 Company in the past year; and (iv) the Directors' consideration of the future business development of the Company.

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We note that the Subscription Price represents:

- (i) a discount of approximately 85.62% to the adjusted closing price of HK\$4.52 per Adjusted Share, based on the closing price of HK\$0.226 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 85.16% to the adjusted average closing price of HK\$4.38 per Adjusted Share, based on the average closing price of HK\$0.219 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 21.68% to the theoretical ex-rights price of HK\$0.83 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.226 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 73.14% to the adjusted closing price of HK\$2.420 per Adjusted Share, based on the closing price of HK\$0.121 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 10.96% to the theoretical ex-rights price of HK\$0.734 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.121 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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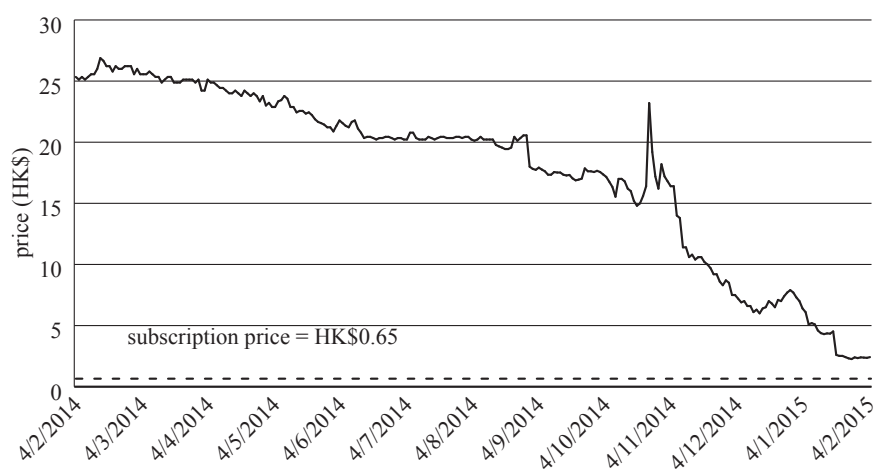
Analysis on the Rights Issue Subscription Price

In order to assess the fairness and reasonableness of the Rights Issue Subscription Price, we set out the following informative analysis for illustrative purpose:

Review on the historical Share 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 for a 12-month period from 4 February 2014 up to and including the Latest Practicable Date (the “**Review Period**”):

Daily closing price during the Review Period



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the lowest adjusted closing price per Adjusted Share was HK\$2.26 recorded on 10 February 2015 while the highest adjusted closing price per Adjusted Share was HK\$26.88 recorded on 14 February 2014. The average daily adjusted closing price per Adjusted Share was approximately HK\$17.51 per Adjusted Share.

We note that the Subscription Price of HK\$0.65 per Rights Share is below the daily adjusted closing prices per Adjusted Share throughout the Review Period and represents (i) a discount of approximately 97.6% from the highest adjusted closing price; (ii) a discount of approximately 71.2% from the lowest adjusted closing price; and (iii) a discount of approximately 96.29% from the average daily adjusted closing price during the Review Period.

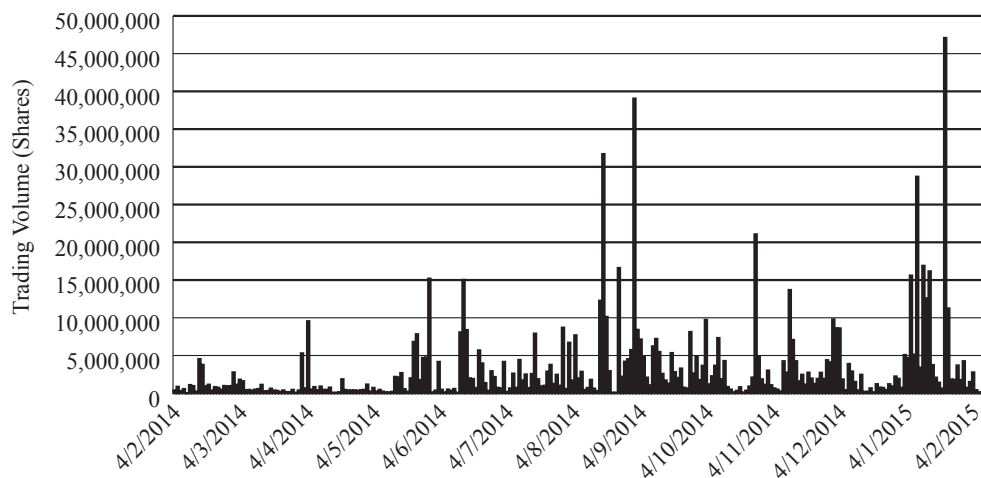
We also note that the daily adjusted closing price per Adjusted Share in the Review Period demonstrated an overall declining trend as shown in the above diagram.

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Review on the trading liquidity of the Shares

The chart of daily trading volume of the Shares during the Review Period is as follows:

Daily trading volume of the Shares during the Review Period



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

A table showing the average daily trading volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares as at the Latest Practicable Date and the percentages of the average daily trading volume as compared to the total number of shares held by the public Shareholders as at the Latest Practicable Date during the Review Period is as follows:

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	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month <i>(Number of shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume to total number of shares in issue as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 2)</i>	Percentage of average daily trading volume to total number of shares held by public Shareholders as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 3)</i>
2014					
February	19,948,439	19	1,049,918	0.21%	0.35%
March	13,897,758	21	661,798	0.13%	0.22%
April	24,090,758	20	1,204,538	0.24%	0.40%
May	30,331,717	20	1,516,586	0.30%	0.51%
June	76,967,616	20	3,848,381	0.76%	1.29%
July	46,546,077	22	2,115,731	0.42%	0.71%
August	95,799,116	21	4,561,863	0.90%	1.53%
September	133,553,766	21	6,359,703	1.26%	2.13%
October	55,604,646	21	2,647,840	0.52%	0.89%
November	77,182,631	20	3,859,132	0.76%	1.29%
December	59,684,974	21	2,842,142	0.56%	0.95%
2015					
January	125,410,994	21	5,971,952	1.18%	2.00%
February (up to and including the Latest Practicable Date)	82,335,809	17	4,843,283	0.96%	1.62%

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 506,399,031 Shares in issue as at the Latest Practicable Date.
3. The Review Period commenced on 4 February 2014.
4. The Review Period ended on the Latest Practicable Date.

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Comparison with recent rights issue transactions

We have conducted a search of rights issue transactions 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, 38 rights issues (the “**Comparable(s)**”) for comparison purpose. To the best of our endeavour, we believe that the list of 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 3) (%)	Excess application (Yes/No)
9 Jan 2015	China Agri-Products Exchange Limited (0149)	8 for 1	(82.48)	(34.35)	2.50	88.8	Yes
24 Dec 2014	Petro-King Oilfield Services Limited (2178)	1 for 7	(26.32)	(23.81)	2.00	12.50	Yes
12 Dec 2014	Evershine Group Holdings Limited (8022)	1 for 2	(4.76)	(3.23)	2.50	33.33	No
8 Dec 2014	China Jinhai International Group Limited (139)	6 for 1	(92.75)	(69.30)	3.00	85.71	Yes
28 Nov 2014	Kantone Holdings Limited (1059)	3 for 10	14.90	11.10	2.50	23.07	Yes
28 Nov 2014	Shenyin Wanguo (H.K.) Limited (218)	1 for 2	(52.11)	(42.04)	0.00	33.33	Yes
27 Nov 2014	Hsin Chong Construction Group Ltd (404)	3 for 10	6.38	4.84	2.00	23.07	Yes
24 Nov 2014	Renhe Commercial Holdings Company Limited (1387)	1 for 2	(31.91)	(23.81)	2.00	33.33	Yes

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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 3) (%)	Excess application (Yes/No)
23 Nov 2014	Pan Asia Mining Limited (8173)	3 for 10	47.06	51.52	3.00	23.07	No
20 Nov 2014	Sky Forever Supply Chain Management Group Limited (8047)	2 for 1	(39.20)	(18.20)	2.50	66.66	Yes
20 Nov 2014	China Environmental Energy Investment Limited (986)	8 for 1	(82.43)	(34.28)	1.00	88.88	Yes
11 Nov 2014	Pacific Andes International Holdings Limited (1174)	1 for 2	(44.60)	(35.00)	3.50	33.33	Yes
4 Nov 2014	PICC Property and Casualty Company Limited (2328)	0.9 for 10	(47.40)	(45.30)	Not disclosed (Note 2)	8.25	Yes
4 Nov 2014	Jingrui Holdings Limited (1862)	3 for 100	0.00	0.00	0.00	2.91	Yes
31 Oct 2014	Mongolian Mining Corporation (975)	3 for 2	(72.80)	(51.70)	3.00	60.00	Yes
23 Oct 2014	Shangri-La Asia Limited (069)	1 for 7	0.00	0.00	1.00	12.50	Yes
22 Oct 2014	China Strategic Holdings Limited (235)	1 for 2	(59.80)	(49.69)	2.50	33.33	Yes
21 Oct 2014	Roma Group Limited (8072)	3 for 1	(56.73)	(25.00)	2.25	75.00	Yes
16 Oct 2014	Agile Property Holdings Limited (3383)	1 for 8	(8.65)	(7.77)	1.75	11.11	Yes
10 Oct 2014	China Taiping Insurance Holdings Company Limited (966)	21 for 100	(33.70)	(29.60)	Fixed amount (Note 2)	17.35	Yes
10 Oct 2014	Unlimited Creativity Holdings Limited (8079)	5 for 2	(51.52)	(23.08)	2.50	71.42	No

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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 3) (%)	Excess application (Yes/No)
29 Sep 2014	Tonly Electronics Holdings Limited (1249)	1 for 2	(20.93)	(15.00)	0.00	33.33	Yes
22 Sep 2014	Agile Property Holdings Limited (3383)	1 for 5	(31.15)	(27.40)	1.75	16.66	Yes
18 Sep 2014	First Credit Finance Group Limited (8215)	3 for 1	(78.00)	(47.00)	2.50	75.00	No
5 Sep 2014	The Company	8 for 1	(80.80)	(32.00)	1.00	88.88	Yes
3 Sep 2014	Yuexiu Property Company Limited (123)	33 for 100	(25.15)	(20.38)	2.00	24.81	Yes
3 Sep 2014	Bright Smart Securities & Commodities Group Limited (1428)	1 for 2	(27.54)	(20.00)	2.50	33.33	Yes
2 Sep 2014	Midas International Holdings Limited (1172)	1 for 2	(46.80)	(37.00)	2.50	33.33	Yes
27 Aug 2014	Country Garden Holdings Company Limited (2007)	1 for 15	(30.90)	(29.60)	1.80	6.25	Yes
27 Aug 2014	Realord Group Holdings Limited (1196)	1 for 4	(13.00)	(10.70)	2.00	20.00	Yes
25 Aug 2014	Venturepharm Laboratories Limited (8225)	3 for 2	(71.40)	(50.00)	0.00	60.00	Yes
20 Aug 2014	Rui Kang Pharmaceutical Group Investments Limited (8037)	1 for 2	(19.60)	(14.00)	2.50	33.33	No

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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/	Premium/	Underwriting commission	Maximum dilution	Excess application
			(Discount) of subscription price over/ (to) the closing price on the last trading day (%)	(Discount) of subscription price over/ (to) the theoretical ex-rights price (Note 1) (%)			
18 Aug 2014	Guotai Junan International Holdings Limited (1788)	1 for 5	(9.60)	(8.10)	0.00	16.66	Yes
18 Aug 2014	China Yunnan Tin Minerals Group Company Limited (263)	9 for 1	(65.20)	(14.60)	3.00	90.00	Yes
17 Aug 2014	China Renji Medical Group Ltd (648)	1 for 2	(52.60)	(42.60)	4.00	33.33	No
12 Aug 2014	China New Economy Fund Limited (80)	1 for 2	(36.40)	(27.60)	2.50	33.33	No
11 Aug 2014	South East Group Limited (726)	8 for 1	(71.40)	(21.70)	2.50	88.88	Yes
11 Aug 2014	SMI Culture Group Holdings Limited (2366)	8 for 1	(83.30)	(35.70)	4.50	88.88	Yes
	Maximum		47.06	51.52	4.50	90.00	
	Minimum		0.00	0.00	0.00	2.91	
	Average		(39.01)	(23.73)	2.07	42.44	
	Maximum discount		(92.75)	(69.30)	N/A	N/A	
	Minimum discount		0.00	0.00	N/A	N/A	
2 Feb 2015	The Company	20 for 1	(85.56)	(21.68)	1.00	95.23	Yes

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

- 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, $(2 \times \text{closing price on the last trading day}) + 1 \times (\text{the subscription price}) / (2+1)$.
- These two samples are excluded from the calculation of average underwriting commission.

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3. Maximum dilution effect of each rights issue is calculated as: (number of rights shares and (if any) bonus shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares and (if any) bonus shares to be issued under the basis of entitlement) x 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 $((1+1)/(1+1+1))*100 = 66.66\%$.

We note that the premium/discount to the respective closing price per share on the last trading day represented by the Comparables ranged from a premium of approximately 47.06% to a discount of approximately 92.75%, with an average discount of approximately 39.01%. The Subscription Price represented a discount of approximately 85.56% to the adjusted closing price per Adjusted Share on the Last Trading Day, which falls within the range represented by the Comparables but represents a greater discount than the corresponding average represented by the Comparables.

We also note that the premium/discount to the theoretical ex-rights price per share represented by the Comparables ranged from a premium of approximately 51.52% to a discount of approximately 69.3%, with an average discount of approximately 23.73%. The Subscription Price represented a discount of approximately 21.68% to the theoretical ex-rights price per Adjusted Share, which also falls within the range of the Comparables but represents a lower discount than the corresponding average represented by the Comparables.

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 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) although the Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Comparables can serve as a 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 and provide an insight to the reasonableness of the Rights Issues;
- (iii) the discounts represented by the Subscription Price are within the ranges of discounts represented by the Comparables;

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- (iv) the Group recorded loss from continuing operations for each of the last two financial years as referred to in section 1 “Background information and outlook 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;
- (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.

With the view that the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue, we consider that a deep discount on the Subscription Price which is within the range represented by the Comparables is inevitable for the Company to encourage the Qualifying Shareholders to participate in the Rights Issue and to induce the Underwriter to participate in the underwriting of the Rights Issue is justifiable and the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

(4) 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 Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the underwriting commissions in respect of the Comparables ranged from 0.0% to 4.5%, with an average of approximately 2.07%. As such, the underwriting commission of 1.0% under the Underwriting Agreement is within the range of the Comparables and is below the average commission rate of the 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.

(5) Excess application

As stated in the Letter from the Board, 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 are set forth in the Prospectus.

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

(6) 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 completion of the Rights Issue; (c) immediately after completion of the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholder; (d) immediately after completion of the Rights Issue assuming only Landmark Profits and Goodco take up their Rights Shares:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the completion of the Rights Issue		Immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (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 Goodco</i>	42,426,090	8.38	2,121,304	8.38	44,547,384	8.38	44,547,384	8.38
— Shares	164,980,143	32.58	8,249,007	32.58	173,229,147	32.58	173,229,147	32.58
— Underlying Shares of the outstanding convertible notes	8,006,405		To be adjusted		To be adjusted		To be adjusted	
Sub-total	207,406,223	40.96	10,370,311	40.96	217,776,531	40.96	217,776,531	40.96
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	298,992,800	56.23
Other public Shareholders	298,992,798	59.04	14,949,640	59.04	313,942,440	59.04	14,949,640	2.81
Total	506,399,031	100.00	25,319,951	100.00	531,718,971	100.00	531,718,971	100.00

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 of the Rights Issue		Immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (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 Goodco</i>	42,426,090	8.25	2,121,304	8.25	44,547,384	8.25	44,547,384	8.25
— Shares	172,986,548	33.63	8,649,327	33.63	181,635,867	33.63	181,635,867	33.63
— Underlying Shares of the outstanding convertible note	—	0.00	—	0.00	—	0.00	—	0.00
Sub-total	215,412,638	41.88	10,770,631	41.88	226,183,251	41.88	226,183,251	41.88
<i>Public</i>								
Underwriter	—	0.00	—	0.00	—	0.00	298,992,800	55.35
Other public Shareholders	298,992,798	58.12	14,949,640	58.12	313,942,440	58.12	14,949,640	2.77
Total	514,405,436	100.00	25,720,271	100.00	540,125,691	100.00	540,125,691	100.00

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.

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 2.81% upon completion of the Rights Issue under the aforesaid scenario (i), and from approximately 58.12% as at the Latest Practicable Date to approximately 2.77% upon completion of the Rights Issue under the aforesaid scenario (ii).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the series of share placements and corporate exercises (including the Rights Issue) of the Company in the past 12 months immediately preceding to the date of this circular (details of which are set out in the sections headed “Fund raising activities of the Company for the past 12 months” in the Letter from the Board of the Circular), the accumulated dilution effect with reference to the number of existing Shares in issue of the Company as at 1 January 2014 (i.e. 296,595,900 Shares) is 99.71%.

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 debt financing will incur extra interest cost, further deteriorating the financial performance of the Group which has already recorded net losses in each of the past two financial years. In addition, the future cost of debt financing may rise as a result of the anticipated interest rate rise following the tapering of quantitative easing policy by the Federal Reserve of the United States. Notwithstanding the cumulative dilution effect on the existing shareholding interests of the Independent Shareholders, which only result when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, the Rights Issue which can satisfy the imminent funding need of development cost and enable the commencement of the Inverness Road Project is in the interest of the Shareholders and the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(7) Possible financial effects of the Rights Issue

Cash resources

According to the Interim Report 2014, the Company has a bank balance and cash of approximately HK\$295 million, of which HK\$60 million is tied up in the PRC as investment capital and HK\$205 million has been ear-marked by the Company for acquisition and redevelopment of the Matheson Street Project, leaving a balance of HK\$30 million. Upon completion of the Rights Issue, it is expected that the Company can raise a net proceed of approximately HK\$326 million. Together with the available fund of HK\$30 million, it is expected that the Company would have a cash resources of HK\$356 million for the redevelopment of Inverness Road Project and general corporate purposes.

Gearing ratio

According to the Interim Report 2014, the total borrowings and total equity of the Company as at 30 September 2014 was approximately HK\$158 million and HK\$1,146 million respectively. Accordingly, the gearing ratio (being the ratio of debt to total capital) of the Company was 13.8%. The Rights Issue is expected to provide additional liquidity in the form of equity to the Company, therefore enhancing the financial position of the Company.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

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. DIRECTORS**Particulars of Directors**

Name	Address
Executive Directors	
Kwong Jimmy Cheung Tim	Flat F, 25th Floor Block 5, Hanford Garden 333 Castle Peak Road Castle Peak Bay Tuen Mun New Territories Hong Kong
Lui Yuk Chu	No. 7, Braga Circuit Kowloon Hong Kong
Koon Ho Yan Candy	No. 7, Braga Circuit Kowloon Hong Kong
Non-executive Directors	
Tse Wing Chiu Ricky	House D6 Flamingo Garden No. 7, Fei Wan Road Fei Ngo Shan New Territories Hong Kong
Lai Law Kau	Flat A, 20/F., One Victory 1-3A Victory Avenue Ho Man Tin Kowloon Hong Kong
Independent Non-executive Directors	
Kan Ka Hon	Flat A, 7th Floor, Block 15 Symphony Bay Villa Rhapsody 553 Sai Sha Road Sai Kung New Territories Hong Kong
Lau Sin Ming	Flat D, 4th Floor Wah Shing Building 19 Castle Peak Road Kowloon Hong Kong
Foo Tak Ching	Flat A, 11th Floor Skyline Mansion 51 Conduit Road Hong Kong

Executive Directors***Mr. Kwong Jimmy Cheung Tim (Chairman and Chief Executive Officer)***

Mr. Kwong, aged 72, is an executive Director, chairman, and chief executive officer and authorised representative of the Company and chairman of the Executive Committee. He is also an executive director, president, chief executive officer and authorised representative, and chairman of the Executive Committee of Easyknit International. Mr. Kwong graduated from the University of Hong Kong in 1965 and was admitted as a Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He serves as director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive Director in 2003, and was subsequently re-designated as an executive Director in 2007. In 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 57, is an executive Director and deputy chairman of the Company and a member of the Executive Committee. She is also an executive director and vice president, and a member of the Executive Committee of Easyknit International. Ms. Lui has been involved in the textiles industry for a number of years and has experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 2006. She is the mother of Ms. Koon Ho Yan Candy, an executive Director of the Company. Ms. Lui is also the paternal sister-in-law of Mr. Lai Law Kau, a non-executive Director of the Company.

Ms. Koon Ho Yan Candy

Ms. Koon, aged 30, is an executive Director and authorized representative of the Company and a member of the Executive Committee since 2010. She graduated from the University of Durham, England in 2007 with a Bachelor of Arts degree in Economics and Politics. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director, authorized representative and a member of the executive committee of Easyknit International. Ms. Koon is the daughter of Ms. Lui Yuk Chu, the deputy chairman of the Company. She is also the niece of Mr. Lai Law Kau, a non-executive Director of the Company.

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

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

Mr. Lai Law Kau

Mr. Lai, aged 54, is a non-executive Director of the Company since December 2013. He has been involved in the textiles industry over 20 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. He is also a non-executive director of Easyknit International. Mr. Lai is a paternal brother-in-law of Ms. Lui, the deputy chairman of the Company, and he is also an uncle of Ms. Koon, an executive Director of the Company.

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

Mr. Kan, aged 63, is an independent non-executive Director of the Company since 2003. He is also a member and chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee. He holds a Bachelor's Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has many years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (stock code: 0539).

Mr. Lau Sin Ming

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

Mr. Foo Tak Ching

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

2. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business	Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Lee Po Wing (<i>LL.B.</i>)
Authorised representatives	Kwong Jimmy Cheung Tim Koon Ho Yan Candy
Legal advisers to the Company	<i>As to Hong Kong law:</i> David Norman & Co 22B Man On Commercial Building 12-13 Jubilee Street Central Hong Kong <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

Auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrar and transfer office in Bermuda	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong OCBC Wing Hang Bank 161 Queen's Road Central Hong Kong

3. SHARE CAPITAL

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

Authorised:

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

<u>506,399,031</u>	Existing Shares in issue as at the Latest Practicable Date	<u>HK\$5,063,990.31</u>
<u>25,319,951</u>	Whole Adjusted Shares in issue after the Capital Reorganisation becoming effective	<u>HK\$253,199.51</u>
<u>506,399,020</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>HK\$5,063,990.20</u>
<u>531,718,971</u>	Whole Adjusted Shares in issue immediately following the Rights Issue	<u>HK\$5,317,189.71</u>

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

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

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

Save as Easyknit International held an outstanding convertible note in the 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 prevailing conversion price of HK\$2.498 per Existing Share (subject to adjustment), the Company has no outstanding warrants, share options or other securities which are convertible into or giving rights to subscribe for Adjusted Shares.

1. FINANCIAL SUMMARY OF THE GROUP

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. The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2014 is disclosed in 2014 interim report of the Company, which can be accessed on the website of the Company (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

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

3. INDEBTEDNESS

At the close of business on 31 January 2015, 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\$295.5 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\$295.1 million and interest payable of approximately HK\$0.4 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 January 2015 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 interim report of the Company for the six months ended 30 September 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 the 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 US government keeps on measured reductions in the pace of asset purchases; the economic environment of the European countries is improving; the Chinese government implements various stimulative policies to ensure a moderate to high rate of growth while continuing its economic restructuring, the Group believes any changes to the global monetary policies in the future would be in a gradual and controlled manner. The global economy is expected to recover steadily.

For the Group's real estate business, the direction of the local property market is still determined by the local government policies. Signs of demand for luxury residential properties arose over the past few months, which is likely to continue into the second half. The Group remains confident and optimistic towards the local property market. For the Matheson Street project, the Company still continues negotiating with owners of the properties of No. 11 and 13 Matheson Street to acquire those properties. On the other hand, the acquisition of No. 14 and 16 Inverness Road has been completed on 21 November 2014 and the acquisition of No. 18 and 20 Inverness Road has been completed on 15 January 2015, which provides the Company an imminent opportunity to redevelop the site for residential purpose.

For the Group's garment business, ever rising sourcing and labor costs and transfer of customer orders placed the garment industry into a disadvantaged competitive position. Nevertheless, the Group would still use its best endeavours to maintain sales volume with the current customers and strengthen its marketing strategies to fit the prevailing industry trend. The turnover generated from the garment sourcing and export businesses segment is expected to remain stable in the second half.

The Group's strategies are devised to create shareholder value in a long term sustainable manner. The Board is optimistic towards its core business and will seize all business opportunities in order to maximise the shareholder value.

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. for HK\$236,800,000.
- (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.
- (vi) As disclosed in the joint announcement of the Company and Easyknit International dated 5 September 2014, the Company (a) acquired the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong from Easyknit International for a total consideration of HK\$340 million; and (b) raised approximately HK\$312.0 million by way of rights issue.
- (vii) As disclosed in the joint announcement of the Company and Easyknit International dated 30 October 2014, the Company, through its direct wholly-owned subsidiary, acquired all properties situated at basement, ground floor, 1st floor and 2nd floor of No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total saleable area of approximately 9,196 sq. ft., at an aggregate consideration and other related expenses of HK\$169,500,000.

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 since the date of the latest published audited financial statements for the year ended 31 March 2014.

**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2014. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group as at 30 September 2014 as extracted and derived from the Group's condensed consolidated financial statements for the six months ended 30 September 2014 included in the published financial report of the Group and is adjusted for the effect of the Rights Issue.

Unaudited Consolidated net tangible assets of the Group as at 30 September 2014 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets as adjusted for the Rights Issue per Adjusted Share <i>(Note 3)</i> <i>HK\$</i>
<u>1,145,563</u>	<u>326,296</u>	<u>1,471,859</u>	<u>2.89</u>

Notes:

1. The amount of consolidated net tangible assets of the Group as at 30 September 2014 is based on the net tangible assets of the Group amounting to HK\$1,145,563,000 extracted and derived from the published interim financial report of the Group for the six months ended 30 September 2014.
2. The estimated net proceeds from the Rights Issue are based on 506,399,020 Rights Shares of HK\$0.01 each at HK\$0.65 per Rights Share on the basis of twenty Rights Shares for every one Adjusted Share of the Company held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$2.863 million to be incurred by the Company.

3. The number of shares used for the calculation of this amount is 509,212,348, representing 2,813,328 Adjusted Shares and 506,399,020 Rights Shares. The number of 2,813,328 Adjusted Shares is calculated based on 562,665,607 existing ordinary shares in issue as at 30 September 2014 and adjusted for (i) the capital reorganisation which involved, among others, the consolidation of every ten issued and unissued existing shares into one consolidated share which became effective on 21 October 2014 (details set out in the prospectus of the Company published on 27 October 2014) and (ii) the coming into effect of the Capital Reorganisation which involves, among others, the consolidation of every twenty issued and unissued Existing Shares into one Consolidated Share and the reduction of the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01. As at 30 September 2014, the consolidated net tangible assets per ordinary share was HK\$2.036 and the consolidated net tangible assets per Adjusted Share is HK\$407.19. The amounts of unaudited consolidated net tangible assets of the Group of HK\$1,145,563,000 and unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the rights issue of HK\$1,471,859,000 do not take into account the proceeds from rights issue of 450,130,472 shares on 14 November 2014 and the number of 2,813,328 Adjusted Shares does not take into account the number of shares issued pursuant to the rights issue on 14 November 2014.
4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014.

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 unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2014 and related notes as set out on pages III-1 and III-2 of the circular issued by the Company dated 2 March 2015 (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 and III-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 506,399,020 rights shares of HK\$0.01 each at HK\$0.65 per rights share on the basis of twenty rights shares for every one adjusted share of the Company (the “Rights Issue”) on the Group’s net tangible assets as at 30 September 2014 as if the Rights Issue had taken place at 30 September 2014. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 September 2014, on which no review or audit in accordance with auditing and assurance standards has been carried out.

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 event or transaction at 30 September 2014 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
2 March 2015

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 Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (note i)	207,406,233	8,006,405	215,412,638	42.53%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (note ii)	207,406,233	8,006,405	215,412,638	42.53%

Notes:

- (i) These 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 Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

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

(b) 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 Shares or underlying 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 Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	207,406,233	8,006,405	215,412,638	42.53%
Landmark Profits	<i>i & ii</i>	Beneficial owner	42,426,090	—	42,426,090	8.38%
Goodco	<i>i & ii</i>	Beneficial owner	164,980,143	8,006,405	172,986,548	34.16%
Easyknit International	<i>i & ii</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Magical Profits	<i>i & iii</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Winterbotham Trust	<i>i & iv</i>	Trustee	207,406,233	8,006,405	215,412,638	42.53%
Winterbotham Holdings Limited	<i>iv</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Markson International Holdings Limited	<i>iv</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Christopher Geoffrey Douglas Hooper	<i>iv</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Ivan Geoffery Douglas Hooper	<i>iv</i>	Interest of controlled corporation	207,406,233	8,006,405	215,412,638	42.53%
Get Nice Securities Limited	<i>v</i>	Beneficial owner	298,992,800	—	298,992,800	55.35%
Get Nice Incorporated	<i>v</i>	Interest of controlled corporation	298,992,800	—	298,992,800	55.35%
Get Nice Holdings Limited	<i>v</i>	Interest of controlled corporation	298,992,800	—	298,992,800	55.35%

Notes:

- (i) In the 207,406,233 Shares, 42,426,090 Shares and 164,980,143 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit International. Goodco is also interested in 8,006,405 underlying 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 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 207,406,233 Shares and 8,006,405 underlying 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) 298,992,800 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 Shares or underlying 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 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;

- (b) 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;
- (c) 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;
- (d) 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);
- (e) 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;
- (f) 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;
- (g) the underwriting agreement dated 5 September 2014 entered into between the Company and Get Nice Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 450,132,472 rights shares at the subscription price of HK\$0.70 per right share; and
- (h) the Underwriting Agreement.

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. EXPENSES

The estimated expenses in connection with the Capital Reorganisation and the Rights Issue (including but not limited to the underwriting commission, printing, registration, financial advisory, legal, professional and accounting charges) are approximately HK\$3 million and are payable by the Company.

8. 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.

9. EXPERTS AND CONSENTS

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

Name	Qualification
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.

10. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field;
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; and
- (d) The English text of this circular prevails over the Chinese text.

11. 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 2014 interim report of the Company for the six months ended 30 September 2014;
- (d) the letter from Messis Capital Limited, the text of which is set out on pages 39 to 64 of this circular;

- (e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix III to this circular;
- (f) the letters of consent referred to in the paragraph headed “Experts and consents” in this appendix;
- (g) the material contracts referred to the paragraph headed “Material contracts” in this appendix;
- (h) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts;
- (i) the Underwriting Agreement; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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 Tuesday, 24 March 2015, at 9:10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments:

SPECIAL RESOLUTION

1. “**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 Bermuda (as amended), with effect from 9:00 a.m. on 25 March 2015 (Hong Kong time) or such time or such other date and/or time as the directors of the Company (the “**Directors**”) may determine:
 - (a) every twenty (20) 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\$0.20 (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\$0.19 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\$0.20 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 unissued Consolidated Shares in the authorised share capital of the Company from HK\$0.20 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 1,000,000,000 Consolidated Shares to HK\$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK\$0.01 each (“**Adjusted Shares**”);

* for identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (c) the authorised share capital of the Company be increased from HK\$10,000,000 divided into 1,000,000,000 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 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.”

ORDINARY RESOLUTION

2. “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 506,399,020 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.65 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 Monday, 30 March 2015 (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 twenty (20) 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 “A” and initialled by the chairman of this Meeting for the purpose of identification) dated 2 February 2015 and made between the Company, and Get Nice Securities Limited as underwriter (the “**Underwriter**”);

NOTICE OF SPECIAL GENERAL MEETING

- (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 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, 2 March 2015

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

NOTICE OF SPECIAL GENERAL MEETING

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 circular, 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.