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

Underwriter of the Rights Issue



結好證券有限公司

GET NICE SECURITIES LIMITED

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



大有融資有限公司

MESSIS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 14 to 48 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 49 to 50 of this circular.

A letter from Messis Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder is set out on pages 51 to 85 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 Wednesday, 7 October 2015 at 9:10 a.m. is set out on pages N-1 to N-5 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be adjusted and dealt in on an ex-rights basis from Friday, 9 October 2015. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 16 October 2015 to Monday, 26 October 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 Tuesday, 3 November 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 Friday, 16 October 2015 to Monday, 26 October 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 right, the Rights Issue will not proceed.

* for identification purposes only

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EXPECTED TIMETABLE

The expected timetable is set out below:

Event	2015 (Hong Kong time)
Latest time for lodging proxy form	9:10 a.m. on Monday, 5 October
Date and time of the SGM.	9:10 a.m. on Wednesday, 7 October
Release of the SGM results	Wednesday, 7 October
Effective date for the Capital Reorganisation	Thursday, 8 October
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Thursday, 8 October
Original counter for trading in existing share Certificates in board lots of 3,000 Shares temporarily closes	9:00 a.m. on Thursday, 8 October
Temporary counter for trading in Adjusted Shares in board lots of 300 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 8 October
First day for free exchange of existing certificates for the Shares into new share certificates for Adjusted Shares	9:00 a.m. on Thursday, 8 October
Last day of dealings in Shares on a cum-rights basis.	Thursday, 8 October
First day of dealings in Shares on an ex-rights basis	Friday, 9 October
Latest time for Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 12 October
Closure of register of members	Tuesday, 13 October
Record date and time.	4:00 p.m. on Tuesday, 13 October
Register of members of re-opens	Wednesday, 14 October

EXPECTED TIMETABLE

Event	2015 (Hong Kong time)
Despatch of Prospectus Documents	Wednesday, 14 October
First day of dealings in nil-paid Rights Shares	9:00 a.m. Friday, 16 October
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 20 October
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares	9:00 a.m. on Friday, 23 October
Original counter for trading in Adjusted Shares in new board lots of 5,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 23 October
Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of 300 Adjusted Shares and new certificates in board lots of 5,000 Adjusted Shares) commences	9:00 a.m. on Friday, 23 October
Last day of dealing in nil-paid Rights Shares	4:00 p.m. on Monday, 26 October
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Thursday, 29 October
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 3 November
Release of the results announcement of the Rights Issue	Thursday, 5 November
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Friday, 6 November
Certificates for fully paid Rights Shares to be despatched on or before	Friday, 6 November

EXPECTED TIMETABLE

Event	2015 (Hong Kong time)
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 9 November
Temporary counter for trading in Adjusted Shares in board lots of 300 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Thursday, 12 November
Parallel trading in the Adjusted Shares (represented by new share certificates and existing certificates) ends	4:00 p.m. on Thursday, 12 November
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on Thursday, 12 November
Last day for free exchange of existing share certificates for new certificates.	Wednesday, 18 November

Notes:

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

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

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.

“2014 Convertible Note”	the 2% per annum coupon rate convertible note issued by Easyknit Enterprises on 27 March 2014 in the aggregate principal amount of HK\$100,000,000 conferring rights to convert Shares on the basis of the prevailing conversion price of HK\$10.65 per Share, of which HK\$80,000,000 has already been converted
“2015 Convertible Note”	the 2% per annum coupon rate convertible note issued by Easyknit Enterprises on 12 June 2015 in the aggregate principal amount of HK\$86,000,000 conferring rights to convert Shares on the basis of an initial conversion price of HK\$0.85 per Share
“Acceptance Time” or “Latest Time for Acceptance of a payment for the Rights Issue”	4:00 p.m. on Thursday, 29 October 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 HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Authorised Capital Increase”	the proposed increase of authorised share capital of Easyknit Enterprises from HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares
“Board”	the board of Directors
“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

DEFINITIONS

“Capital Reduction”	the proposed (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.10 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares; and (iii) the credit amount arising from the reduction of the issued share capital of Easyknit Enterprises be transferred to the contributed surplus account of Easyknit Enterprises
“Capital Reorganisation”	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Authorised Capital Increase
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the S&P Agreement(s) and the Rights Issue, as the context may require
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of the sale and purchase of the Properties Group
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of Easyknit Enterprises upon the Share Consolidation becoming effective
“Director(s)”	director(s) of Easyknit Enterprises
“DTZ”	DTZ Debeham Tie Leung (SEA) Pte Ltd
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue

DEFINITIONS

“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
“GT Property”	an industrial unit situate at 6/F., No. 650-652 Castle Peak Road, & 18A Wing Hong Street, Cheung Sha Wan with a floor area of approximately 3,600 sq.ft.
“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 S&P Agreement(s), the proposed Rights Issue and transactions contemplated thereunder
“Independent Shareholders”	the Shareholder(s), other than (i) Easyknit International, Landmark Profits and Goodco and their respective associates; (ii) those who are connected, interested or involved in the sale and purchase of the Properties Group and the proposed Rights Issue; and (iii) those who are required to abstain from voting at the SGM to be convened to approve the S&P Agreement(s), the proposed Rights Issue and matters relating thereunder
“Inverness Road Project”	the residential project of Nos. 14, 16, 18 and 20 Inverness Road, Kowloon, Hong Kong with a total registered site area of 17,637 sq.ft.

DEFINITIONS

“Janson Property”	an industrial unit situate at 2/F., Nos. 790, 792 & 794 Cheung Sha Wan Road, Cheung Sha Wan, with a floor area of approximately 3,600 square feet
“Knight Frank”	Knight Frank Petty Limited
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of Easyknit International, being a substantial shareholder of Easyknit Enterprises
“Last Trading Day”	5 August 2015, being a Business Day prior to the entering into the Underwriting Agreement
“Latest Practicable Date”	10 September 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 Tuesday, 3 November 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 Remaining Unit”	ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong
“Matheson Street Properties”	10 property units situated at 1st floor, 2nd floor, 3rd floor, 4th floor, 5th floor and roof of Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong
“Matheson Street Project”	the redevelopment project of Nos. 11, 13 and 15 of 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 S&P Agreement(s), 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 Easyknit Enterprises 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, 14 October 2015 or such other day as may be agreed between Easyknit Enterprises and the Underwriter, being the date of despatch of the Prospectus Documents
“Properties Group”	a total of 11 units comprises Singapore Properties, ST Properties, GT Property and Janson Property
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by Easyknit Enterprises in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Purchaser(s)”	the purchaser(s) of the S & P Agreement(s): (a) Easyknit Enterprises (b) Power Bright Investments Limited (c) New Pursuit Limited (d) Fresh Smart Investments Limited
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date
“Record Date”	4:00 p.m. on Tuesday, 13 October 2015 or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the Rights Issue are expected to be determined

DEFINITIONS

“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)”	1,063,437,920 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of 20 Rights Shares for every one Adjusted Share held at the Record Date pursuant to the Rights Issue
“Sale Loan”	an aggregate sale loan of the Target Companies due to Easyknit International, the ultimate holding company of the ultimate companies
“S&P Agreement(s)”	4 sets of sale and purchase agreements dated 6 August 2015 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share(s) of the Target Company(ies)
“Sale Share(s)”	entire issued shares of each Target Company
“Settlement Date”	Tuesday, 3 November 2015, being the third Business Day following the Acceptance Date or such later date as Easyknit Enterprises and the Underwriter may agree
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of Easyknit Enterprises to be convened and held on 7 October 2015 for the purpose of considering, if thought fit, and approving, among other things, the S&P Agreements, the proposed Capital Reorganisation and the proposed Rights Issue
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share
“Share(s)” or “Existing Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the capital of Easyknit Enterprises before the Capital Organisation becoming effective, unless otherwise stated
“Shareholder(s)”	holder(s) of Share(s), Consolidated Shares or Adjusted Share(s), as the case may be

DEFINITIONS

“Singapore Properties”	the 3 residential units in Singapore with a total floor areas of 268 square metres, namely: <ul style="list-style-type: none">(a) #04-03 Ardmore Park, Singapore 259959(b) #06-04 Ardmore Park, Singapore 259959(c) #18-02 Ardmore Park, Singapore 259959
“sq.ft.”	square foot/feet
“ST Properties”	6 properties in Hong Kong of which 3 for residential and 3 for industrial: <ul style="list-style-type: none">(a) House 9, Villa Castell, No. 20 Yau King Lane, Tai Po with a floor area of approximately 2,358 sq.ft.(b) Unit 1 & 2, 7/F., Block D and Car Parking Space No. 46 on Lower G/F., Shatin Heights, No. 8003 Tai Po Road, Shatin with a floor area of 2,408 sq.ft.(c) 3rd floor, No. 161 Wong Nai Chung Road with a floor area of 780 sq.ft.(d) Workshop Space B, 1/F., Fung Wah Factory Building, Nos 646, 648 , 648A Castle Peak Road with a floor area of 1,920 sq.ft.(e) roof floor, No. 20 Wing Hong Street with a floor area of 3,402 sq.ft.(f) 5th floor, No. 20 Wing Hong Street with a floor area of 2,910 sq.ft.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.48 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
“Supplemental Agreement”	a supplemental agreement entered into between the Vendor and the Purchaser(s) on 28 August 2015 supplemented the S&P Agreement(s) by amending the Purchaser(s) agreed to purchase also the Sale Loan without increasing the Consideration

DEFINITIONS

“Target Company(ies)”	the subsidiaries of Easyknit International: <ul style="list-style-type: none">(a) Grow Well Profits Limited(b) Supertop Investment Limited(c) Golden Top Properties Limited(d) Janson Properties Limited(e) Goldchamp International Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs
“Undertakings”	the conditional irrevocable undertakings dated 6 August 2015 from Landmark Profits and Goodco to Easyknit Enterprises and the Underwriter as described in the section headed “Undertakings” in this announcement
“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
“Underwriting Agreement”	the underwriting agreement, dated 6 August 2015, entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain arrangements in respect of the Rights Issue
“Underwritten Shares”	627,884,880 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
“Vendor”	Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International, a company incorporated in the BVI with limited liability
“%”	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

14 September 2015

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 6 August 2015, the Company and the Vendor (being a wholly-owned subsidiary of Easyknit International) entered into 4 sets of the S&P Agreements and a Supplemental Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares; and (ii) the Vendor has

* for identification only

LETTER FROM THE BOARD

agreed to sell and assign and the Purchaser has agreed to take up an assignment of the Sale Loan, at an aggregate consideration of HK\$240 million. Pursuant to the Supplemental Agreement, the amount of the Sale Loan is HK\$112,657,195.19, which is an aggregate loan figure of the Target Companies due to Easyknit International, derived from the audited financial statements of the Target Companies for the year ended 31 March 2015; and the Vendor stated that at the Completion, the Sale Loan shall not exceed the amount of HK\$113 million and the Company shall become the creditor of the Sale Loan and shall be entitled to exercise all the rights and obligations in respect of the Sale Loan. The Directors confirmed that the Consideration to purchase the Properties Group at HK\$240 million includes the purchase of Sale Shares and Sale Loan. Upon Completion, the Target Companies will become subsidiaries of the Company.

On 6 August 2015, the Board put forward to the Shareholders a proposal of Capital Reorganisation which will comprise (i) Share Consolidation; (ii) that every ten (10) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share; (ii) Capital Reduction; and (iii) Authorised Capital Increase. The Board also proposed to change the board lot size for trading in the Shares from 3,000 to 5,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

Easyknit Enterprises proposes to raise approximately HK\$510 million, before expenses, by way of Rights Issue of 1,063,437,920 Rights Shares at the Subscription Price of HK\$0.48 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\$505 million of which HK\$240 million are intended to be used in relation to the purchase of the Sale Share(s) and the Sale Loan of the Properties Group; HK\$139 million to be applied for the repayment of bank loan; HK\$30 million to be earmarked for the acquisition of the Matheson Remaining Unit or potential investment; HK\$70 million to be applied for the segments of investment of listed securities and loan financing; and the remaining HK\$26 million as general working capital of Easyknit Enterprises.

As of the Latest Practicable Date, Easyknit International, through Goodco and Landmark Profits, its wholly-owned subsidiaries, has indirect interests in approximately 40.96% in aggregate of the issued share capital of Easyknit Enterprises. As such, the purchase of the Properties Group constitutes as a connected transaction under Chapter 14A of the Listing Rules. Further, as one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100%, it also constitutes a very substantial acquisition of Easyknit Enterprises under Rule 14.08 of the Listing Rules. In view of the above, the S&P Agreement(s) and transactions contemplated thereunder is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The number of Rights Shares to be issued pursuant to the Rights Issue represents 20 times the Company's issued share capital after the Capital Reorganisation becomes effective and approximately 95.24% of the Company's adjusted and enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue. As the Rights Issue will increase the issued share capital of Easyknit Enterprises by more than 50%, the Rights Issue is subject to Independent Shareholders' approval at the SGM, pursuant to Rule 7.19(6)(a) of the Listing Rules.

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In accordance with the Listing Rules, Goodco, Landmark Profits and their respective associates will abstain from voting on the resolution(s) to approve the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder at the SGM. The Independent Board Committee, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, being all the independent non-executive Directors, was established for the purpose of, among other things, advising the Independent Shareholders in respect of the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder. Messis Capital Limited, an independent financial adviser to the Independent Board Committee and the Independent Shareholders has been appointed to advise the Independent Board Committee and the Independent Shareholders on the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder.

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

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

PROPERTIES GROUP

Properties Group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore), 5 industrial units. All 11 units are leased to third parties independent of Easyknit Enterprises. The expiration date of each tenancy is different but the expiration date of the respective tenancies ranges between October 2015 and May 2017. The aggregate monthly rental of the Properties Group is approximately HK\$547,000. The aggregate valuation of the Properties Group is HK\$239,788,785, the valuation reports are set out in Appendices IV and V.

S&P AGREEMENT — SINGAPORE PROPERTIES

Date: 6 August 2015

Parties Purchaser: Power Bright Investments Limited
Vendor: Easyknit Properties Holdings Limited

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Target Company: Grow Well Profits Limited is incorporated in British Virgin Islands and its sole asset is Singapore Properties.

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

The Target Company is an investment holding company holds 100% interest in the Singapore Properties.

The Singapore Properties comprises 3 residential units in Singapore and are currently leased to 3 tenants, which are third parties independent of Easyknit Enterprises, at an aggregate monthly rental of approximately HK\$287,200.

The consideration for acquiring the Sale Share and the sale loan is HK\$137,770,000 and it will be financed by the net proceeds from the proposed Rights Issue upon Completion by cash. The Consideration was determined after arm's length negotiations between the Purchaser(s) and the Vendor with reference to the location of the Singapore Properties and the valuation at the existing market value of HK\$137,558,785 performed by DTZ as set out in Appendix IV to this circular.

THE S&P AGREEMENT — ST PROPERTIES

Date: 6 August 2015

Parties Purchaser: Easyknit Enterprises
Vendor: Easyknit Properties Holdings Limited

Target Company: Supertop Investment Limited is a company incorporated in British Virgin Islands and its sole assets (via its wholly owned subsidiary Goldchamp International Limited) is ST Properties.

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

The Target Company is an investment holding company, which through its wholly-owned subsidiary, holds 100% interest in ST Properties in Hong Kong.

The ST Properties comprises 6 units in Hong Kong of which there are 3 residential units and 3 industrial units and are currently leased to 5 tenants, which are third parties independent of Easyknit Enterprises, at an aggregate monthly rental of HK\$135,000.

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The consideration for acquiring the Sale Share and the sale loan is HK\$60,750,000 and it will be financed by the net proceeds from the proposed Rights Issue upon Completion by cash. The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the location of the ST Properties and the valuation at the existing market value of HK\$60,750,000 by Knight Frank as set out in Appendix V to this circular.

THE S&P AGREEMENT — GT PROPERTY

Date: 6 August 2015

Parties Purchaser: New Pursuit Limited
Vendor: Easyknit Properties Holdings Limited

Target Company: Golden Top Properties Limited is a company incorporate in Hong Kong and its sole asset is the GT Property.

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

The Target Company is an investment holding company holds 100% interest in GT Property in Hong Kong.

The GT Property refers to an industrial unit in Hong Kong and are currently leased to a tenant, which is a third parties independent of Easyknit Enterprises, at an aggregate monthly rental of HK\$100,000.

The consideration for acquiring the Sale Share and the sale loan is HK\$29,800,000 and it will be financed by the net proceeds from the proposed Rights Issue upon Completion by cash. The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the location of the GT Property and the preliminary valuation valued at the existing market value of HK\$29,800,000 performed by Knight Frank as set out in Appendix V to this circular.

THE S&P AGREEMENT — JANSON PROPERTY

Date: 6 August 2015

Parties Purchaser: Fresh Smart Investments Limited
Vendor: Easyknit Properties Holdings Limited

Target Company: Janson Properties Limited is a company incorporated in Hong Kong and its sole assets is the Janson Property.

LETTER FROM THE BOARD

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

The Target Company is an investment holding company holds 100% interest in Janson Property in Hong Kong.

The Janson Property is an industrial unit in Hong Kong and is currently leased to a tenant, which is a third parties independent of Easyknit Enterprises, at an aggregate monthly rental of HK\$32,000.

The consideration for acquiring the Sale Share and the sale loan is HK\$11,680,000 and it will be financed by the net proceeds from the proposed Rights Issue upon Completion by cash. The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the location of the Janson Property and the preliminary valuation valued at the existing market value of HK\$11,680,000 performed by Knight Frank as set out in Appendix V to this circular.

Conditions precedent

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

- (a) The respective obligations of the parties to effect completion of the sale and purchase of the Sale Shares are conditional upon the following:
 - (i) Easyknit Enterprises being satisfied with its “due diligence” review of the legal and financial affairs of the Properties Group;
 - (ii) Easyknit Enterprises having received the sums payable to it in the Rights Issue that is the subject of the Underwriting Agreement;
 - (iii) the approval of the S&P Agreement(s) and Supplemental Agreement and the transactions contemplated thereunder, by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained; and
 - (iv) the approval of the S&P Agreement(s) and Supplemental Agreement and the transactions contemplated thereunder, by the shareholders of EasyKnit International (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained.
- (b) Each party shall use its reasonable endeavours and co-operate to ensure the fulfilment of the Conditions by 30 November 2015. The Vendor shall use all reasonable endeavours to assist Easyknit Enterprises in connection with the due

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diligence review to be conducted and, in particular, shall procure that all information and documents relating to the Vendor and the Properties Group required pursuant to the Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circular, reports, documents, independent advice or otherwise are duly given promptly to Easyknit Enterprises, the Stock Exchange, and/or other relevant regulatory authorities.

- (c) If the Conditions have not been fulfilled (or, where applicable, waived by the Purchaser(s)) on or before 30 November 2015 (or such other date as may be agreed by the Vendor and the Purchaser(s)) and either the Vendor on the one hand or Easyknit Enterprises on the other hand, gives notice to terminate the S&P Agreement(s), the S&P Agreement(s) shall thereupon terminate.

Completion

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

PROPOSED CAPITAL REORGANISATION

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

- (i) Share Consolidation: that every ten (10) issued and unissued Existing Shares be consolidated into one (1) Consolidated Share;
- (ii) Capital Reduction: that (i) the issued share capital of Easyknit Enterprises be reduced by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.09 on each of the then issued Consolidated Shares in the share capital of Easyknit Enterprises such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; (ii) the authorised share capital of Easyknit Enterprises be reduced by reducing the par value of all Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.10 each to HK\$0.01 each, resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares; and (iii) the credit amount arising from the reduction of the issued share capital of Easyknit Enterprises be transferred to the contributed surplus account of Easyknit Enterprises; and
- (iii) Authorised Capital Increase: that the authorised share capital of Easyknit Enterprises be increased from HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares.

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Effects of the Capital Reorganisation

As at the Latest Practicable Date, save as the 2014 Convertible Note and 2015 Convertible Note, Easyknit Enterprises 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 Easyknit Enterprises' 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\$5,317,189.71, represented by 531,718,971 Existing Shares, upon completion of the Capital Reorganisation, the authorised share capital of Easyknit Enterprises will remain at HK\$200,000,000, represented by 20,000,000,000 Adjusted Shares, and the issued share capital will be HK\$531,718.97 represented by 53,171,897 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 benefit of Easyknit Enterprises. The Adjusted Shares will rank pari passu in all respects with each other.

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	531,718,971	53,171,897
Issued and fully paid-up share capital	HK\$5,317,189.71	HK\$531,718.97

Note: The issued share capital of Easyknit Enterprises immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would 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.

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Based on 531,718,971 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$478,547,000 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of Easyknit Enterprises. The Board intends to apply the credit amount arising from the Capital Reduction to set-off the accumulated losses of Easyknit Enterprises.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of Easyknit Enterprises 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 Easyknit Enterprises 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 net asset value of Easyknit Enterprises, the net asset value of Easyknit Enterprises 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 Easyknit Enterprises or the repayment to the Shareholders of any paid-up capital of Easyknit Enterprises nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Capital Reorganisation (together with the increase 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 trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Adjusted Shares. The Capital Reorganisation will provide greater flexibility for equity fund raising of Easyknit Enterprises in the future. The credit arising from the Capital Reduction will enable Easyknit Enterprises to set-off its accumulated loss, thus allowing greater flexibility for Easyknit Enterprises 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 Easyknit Enterprises 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 Easyknit Enterprises.

LETTER FROM THE BOARD

Conditions of the Capital Reorganisation

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

- (a) the passing of the necessary resolutions 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 Thursday, 8 October 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.

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 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 to branch share registrar of Easyknit Enterprises in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queens Road East, Hong Kong from Thursday, 8 October 2015 to Wednesday, 18 November 2015 (both dates inclusive) to exchange, at the expense of Easyknit Enterprises, for new certificates for the Adjusted Shares. Thereafter, shares certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such

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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 shares certificates for the Existing Shares will be valid in the form of existing shares certificates for trading and settlement up to 4:00 p.m., Tuesday, 10 November 2015, being the latest time for trading in board lots of 300 Adjusted Shares (or such other date which will be announced by Easyknit Enterprises) 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 3,000 Existing Shares to 5,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

Odd lots arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, Get Nice Securities Limited, has been appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:00 a.m. on Friday, 23 October 2015 to 4:00 p.m. on Thursday, 12 November 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.

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	:	531,718,971 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	53,171,897 Adjusted Shares (assuming no issue of new Shares or no further repurchase of Shares on or before the Record Date)
Number of Rights Shares	:	1,063,437,920 Adjusted Shares

LETTER FROM THE BOARD

Aggregate nominal value of the Rights Shares	:	HK\$106,343.79
Subscription Price	:	HK\$0.48 per Rights Shares
Enlarged issued share capital of Easyknit Enterprises immediately upon completion of the Rights Issue	:	1,116,609,817 Shares
Fund raised before expenses	:	approximately HK\$510 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\$0.47 per Rights Share
Underwriter	:	Get Nice Securities Limited

As at the Latest Practicable Date, Easyknit International held a 2014 Convertible Note with an outstanding principal amount of HK\$20,000,000 which are convertible into Shares during the five-year period commencing from 27 March 2014 at the prevailing conversion price of HK\$10.65 per Share.

With the exception of the above and 2015 Convertible Note, as at the Latest Practicable Date, Easyknit Enterprises 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.

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 Easyknit Enterprises 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 allotted in respect of those Adjusted Shares will be taken up in full. In addition, Landmark Profits and Goodco will not apply for any excess Rights Shares.

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 application for all or any part of a Qualifying Shareholder’s allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied therefor.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.48 per Rights Share, payable in full when a Qualifying Shareholder accepts the 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 88% to the adjusted closing price of HK\$4.00 per Adjusted Share, based on the closing price of HK\$0.40 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) discount of approximately 88.12% to the adjusted average closing price of HK\$4.04 per Adjusted Share, based on the average closing price of HK\$0.404 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 26.15% to the theoretical ex-rights price of HK\$0.65 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.40 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted to HK\$4.00 per share for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 83.67% to net asset value of approximately HK\$2.94 per Share based on the audited consolidated net asset value of the Group attributable to the Shareholders of HK\$1,562,645,000 as at 31 March 2015 and 531,718,971 Shares in issue on the Last Trading Day;
- (v) a discount of approximately 77.25% to the adjusted closing price of HK\$2.11 per Adjusted Share, based on the closing price of HK\$0.211 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (vi) a discount of approximately 14.29% to the theoretical ex-rights price of HK\$0.56 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.211 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted to HK\$2.11 per share 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 Easyknit Enterprises 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.

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The 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 Easyknit Enterprises and taking part in the future growth of Easyknit Enterprises. Given the abovementioned factors and as indicated to Easyknit Enterprises 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 will be 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 Easyknit Enterprises 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 Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

Fractional entitlements to the Rights Issues

Easyknit Enterprises 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 Easyknit Enterprises. Any unsold fractions of Rights Shares will be available for excess application.

Qualifying Shareholders

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

Easyknit Enterprises is in the process of considering 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.

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Easyknit Enterprises retains the right, in its discretion, to make any arrangement 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 Easyknit Enterprises at the close of business on the Record Date, beneficial owners must lodge any transfers of Shares (together with the relevant share certificates) with Easyknit Enterprises' 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 Monday, 12 October 2015.

Easyknit Enterprises will send the Prospectus Documents to the Qualifying Shareholders only.

Non-Qualifying Shareholders

Easyknit Enterprises 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. Easyknit Enterprises will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement 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.

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.

LETTER FROM THE BOARD

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 Easyknit Enterprises, must lodge all necessary document with the branch share registrar of Easyknit Enterprises in Hong Kong for completion of the relevant registration by 4:30 p.m. on Monday, 12 October 2015.

The Latest Time for Acceptance of a payment for the Rights Issue will be 4:00 p.m. on Thursday, 29 October 2015, or such later date or time as may be agreed between Easyknit Enterprises and the Underwriter.

Closure of register of members

The register of members of Easyknit Enterprises will be closed on 13 October 2015 and re-opened on Wednesday, 14 October 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 Friday, 6 November 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 Friday, 6 November 2015 by ordinary post to the applicants at their own risk.

Conditions of the Rights Issue

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

- (i) approval having been obtained at the SGM from the Independent Shareholders for the S&P Agreement(s) and Supplemental Agreement, the proposed Rights Issue; and 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;

LETTER FROM THE BOARD

- (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 remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than five trading days; and
- (ix) delivery by Easyknit Enterprises to the Underwriter of irrevocable undertakings by Landmark Profits and Goodco to accept their respective entitlement 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 Easyknit Enterprises 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 Easyknit Enterprises) and the irrevocable undertakings by Landmark Profits and Goodco to accept their entitlements under the Rights Issue will lapse and the Rights Issue will not proceed.

Application for listing

Easyknit Enterprises 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 Easyknit Enterprises is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

LETTER FROM THE BOARD

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 5,000 Adjusted Shares.

Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the branch register of members of Easyknit Enterprises in Hong Kong 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 217,776,531 Shares, representing approximately 40.96% of the total issued share capital of Easyknit Enterprises. As at the Latest Practicable Date, Easyknit International also held the 2014 Convertible Note with an outstanding principal amount of HK\$20,000,000 which are convertible into Shares during the five-year period commencing from 27 March 2014 at the prevailing conversion price of HK\$10.65 per Share.

Each of Landmark Profits and Goodco has irrevocably undertaken to Easyknit Enterprises and the Underwriter that the 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 435,553,040 Rights Shares. Landmark Profits and Goodco will not apply for any excess Rights Shares. The total subscription moneys of approximately HK\$210,000,000 payable by Landmark Profits and Goodco to Easyknit Enterprises pursuant to the Undertakings will be set off against the remaining balance of HK\$240 million owed by Easyknit Enterprises to Easyknit International pursuant to the S&P Agreements. Landmark Profits, Goodco, Easyknit International and Easyknit Enterprises have agreed to the set-off arrangements.

LETTER FROM THE BOARD

Underwriting Agreement

Date	:	6 August 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 627,884,880 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

The Company has only approached the Underwriter because he is an experienced underwriter and is active in the Hong Kong stock market. The Company noted that at that time the stock market is so volatile and by previous experience, the underwriting terms will be more harsh in volatile stock market than in the stable time. The Company proposed the subscription price / ratio to the Underwriter; they reviewed the aforesaid terms and after their internal discussion, they agreed without counter-offer on the proposed subscription price / ratio of the Rights Issue.

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 Easyknit Enterprises 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 Easyknit Enterprises 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 Easyknit Enterprises and the Shareholders are concerned.

Based on the above information disclosed herein, the Directors confirmed that the Board has made a balanced view in assessing the volatility of the stock market and the reasonableness of the underwriting terms for the Rights Issue so as to obtain the best available terms for the Rights Issue and its Shareholders.

LETTER FROM THE BOARD

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 Easyknit Enterprises at any time prior to 4:00 p.m. on the Settlement Date if:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) 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
 - (ii) 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
 - (iii) 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;
- (b) 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
- (c) 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 Easyknit Enterprises 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.

LETTER FROM THE BOARD

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 Easyknit Enterprises 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 fees and expenses payable under it (other than the underwriting commission). If the Underwriter exercises such right, the Rights Issue will not proceed.

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 Friday, 9 October 2015. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 16 October 2015 to Monday, 26 October 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 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 Friday, 16 October 2015 to Monday, 26 October 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.

EFFECT ON THE SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

For the effect on the shareholding structure of the Easyknit Enterprises, Table 1 was made under the scenario of the conversion rights attaching to the outstanding 2014 Convertible Note and 2015 Convertible Note are not exercised; whilst Table 2 was made under the scenario of the full exercise of the outstanding 2014 Convertible Note and 2015 Convertible Note.

As at Latest Practicable Date, Easyknit Enterprises is an associated company 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 (1) 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 Easyknit Enterprises, any of the Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon Completion of the Rights Issue.

LETTER FROM THE BOARD

Easyknit Enterprises 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 627,884,880 Rights Shares together with its obligation, set out above. The Underwriter confirms that no subscribers will become a substantial Shareholder of Easyknit Enterprises immediately upon Completion of the Rights Issue.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE NOTES

As at the date of the announcement, the outstanding aggregate principal amount of the 2014 Convertible Note amounted to HK\$20,000,000 which are convertible to Shares during the five-year period commencing from 27 March 2014 at the prevailing conversion price of HK\$10.65 in force at the time of conversion (if any); and for the 2015 Convertible Note, there was no exercise of conversion since the date of issue (i.e. 12 June 2015). As a result of the proposed Rights Issue, adjustments may need to be made to the exercise price and other rights (if any) attached to the conversion rights of each convertible note, if necessary, Easyknit Enterprises will make further announcement accordingly.

REASONS FOR AND BENEFITS OF THE S&P AGREEMENTS AND THE PROPOSED RIGHTS ISSUE

The S&P Agreement(s)

The Group is principally engaged in property investment, property development, garment sourcing and export businesses, investment in securities and loan financing. The Group has been continuously seeking opportunities to acquire properties in good location and has also been exploring, other investment opportunities. Given the location and amount of the rental income of the Properties Group which is in line with the Group's overall business strategy, the Directors are of the view that the terms of the S&P Agreements are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

Rights Issue

(1) Subscription Price

The price and other terms were determined after a consideration by the Directors of various matters such as market conditions and the need to attract Shareholders, and after arm's length commercial negotiations with the Underwriter.

LETTER FROM THE BOARD

(2) *Dilution Impact*

The dilution impact of the Rights Issue to the existing Shareholders if they elect not to participate in the Rights Issue is 95.24%, that is to say that if they elect not to participate in the rights issue the percentage of the issued Shares represented by their respective holdings will fall by 95.24%. The detailed accumulative dilution effect of fund raising activities in the past 24 months for Shareholders who did not participate in those activities is in Table 3 to this circular.

(3) *Other alternatives of fund raising activities*

Easyknit Enterprises considered other fund raising activities as alternatives to the Rights Issue, including a sale of assets but there are no assets held by the Group that the Board considers it appropriate to liquidate for the purpose. A placing was also considered, but placings by their nature dilute the interests of Shareholders and the Board does not consider that to be an attractive alternative at present. Debt financing was a thirds alternative considered by the Directors, but that will incur interest costs for Easyknit Enterprises and increase its gearing and it is not favourable to Easyknit Enterprises and its shareholders.

No negotiations were held with prospective counterparties to any of these possible fund raising alternatives because they were unattractive, for reasons mentioned above. Specifically, at the Latest Practicable Date, Easyknit Enterprises does not have facilities in place to renew or replace the loan to be repaid and has not negotiated with the lender for renewal of the bank loan or approached other banks for a new loan because Easyknit Enterprises at present considers equity financing to be preferable to debt financing.

As at the Latest Practicable Date, the Group has unaudited cash and cash equivalents of approximately HK\$327 million, of which HK\$62 million is tied up in the PRC as investment capital which is not practicable to be transferred back to Hong Kong. Of the HK\$265 million balance, approximately HK\$259 million has been earmarked for the redevelopment of the Inverness Road Project, leaving funds of approximately HK\$6 million.

The Board assessed the above current cash position, the Company's gearing ratio of 0.15, market borrowing rates and market interest rates and then determined that repayment of the bank loan with funds raised by the Rights Issue is in the interest of Easyknit Enterprises.

(4) *Financial Position of Easyknit Enterprises*

Upon the repayment of the bank loan of HK\$139 million, Easyknit Enterprises will still have outstanding a mortgage loan of HK\$153 million.

After application of the net proceeds to the acquisition of the Properties Group and repayment of the bank loan, approximately HK\$126 million of the net proceeds will remain unused.

LETTER FROM THE BOARD

Property investment in particular is capital-intensive and although at the present time, Easyknit Enterprises has sufficient funds to attend the 1st and 2nd phase of the redevelopment of Inverness Road Project (ie. till mid-2016), The Board considers it is appropriate to have material cash on hand to finance investment projects as and when opportunities arise.

At the Latest Practicable Date, the Company has not identified any investment project or is currently in negotiations for any.

Over the past year, Easyknit Enterprises conducted various equity fund-raising exercises for acquisitions and related redevelopment in respect of the Matheson Street Project. Details of these fund-raising exercises are set out in the section headed “Fund-raising activities of Easyknit Enterprises for the past 24 months” in this circular. There has been no change in the proposed use of the unutilised proceeds from those fund raising activities previously ear-marked by Easyknit Enterprises for the Matheson Street Project. Easyknit Enterprises is therefore raising new funds to complete the purchase of the Properties Group.

As at the Latest Practicable Date, the Board considers that Easyknit Enterprises has sufficient funds to maintain its daily operations for the next 12 months (but this does not include new investment opportunities that may be occurred, which may need to be financed by new equity financing and/or bank or other financing if and when they arise).

(5) *Benefits of the Acquisition*

The Board thinks the acquisition of the Properties Group will benefit Easyknit Enterprises and its shareholders because a typical property development project takes at least 3 years to complete and the acquisition cost and development cost for a similar asset likely to be much more than HK\$240 million.

In view of the fact that by paying HK\$240 million, Easyknit Enterprises will acquire 11 units and can generate immediate revenue, the acquisition will facilitate Easyknit Enterprises acquire additional stable income. Furthermore, 2 units have the potential to be redeveloped and this will be a “value-added” to Easyknit Enterprises. If a buyer acquires it for redevelopment purpose then a premium will be reflected. It is in the interest of Easyknit Enterprises and its shareholders.

(6) *Proposed use of proceeds of Rights Issue*

The Rights Issue is proposed with a view to provide further funding for the Group’s business development and expansion and assisting with the Group’s repayment of financial indebtedness. The net proceeds to be raised from the Rights Issue, being approximately HK\$505 million are intended to be applied as follows:

- (a) approximately HK\$240 million will be utilised to purchase the Sale Share(s) and the Sale Loan of the Properties Group for its property investment business;

LETTER FROM THE BOARD

- (b) approximately HK\$139 million will be utilised for the repayment of bank borrowings and interests of the Group;

— The Board is of the view that utilising the net proceeds from the Rights Issue to settle the outstanding bank loans of the Group is beneficial to the Group and the Shareholders as a whole as it reduces the Group's debt level and finance costs, enabling the Group to further deleverage and strengthen its equity base.

This is particularly important in light of the nature of the Group's primary business as a property developer. As the process of obtaining equity financing takes time, the Board is of the view that now is the appropriate moment for the Group to tap into the capital market to reduce its debt level and enhance its capital base, thereby placing the Group in a stronger financial position to participate in or tender for any attractive property development projects as and when such opportunities arise, which will often require sufficient cash and financing resources to be deployed at short notice.

- (c) approximately HK\$70 million will be utilised for the investment of listed securities segment and loan financing business segment;

— with reference to the Easyknit Enterprises' transaction in May 2015 for providing a loan of HK\$70 million to an independent third party which was secured by a share charge and a guarantee, the Board believes it could potentially diversify the Group's asset base and broaden its business scope to enhance the Group's long term growth prospects. The Group continues to explore potential investment opportunities to deliver benefits to the Shareholders by strengthening these 2 business segments.

- (d) approximately HK\$30 million will be utilised for being deposit to acquire the Matheson Remaining Unit or potential investments by the Group;

— the Board is of the view that to earmark this amount as part of the deposit for the acquisition of the Matheson Remaining Unit as no contracts have been exchanged for acquisition. Recently, the retail property prices in Causeway Bay have gone down, Easyknit Enterprises made an offer of acquisition to that property owner and started the preliminary stage of negotiation with the owner. It is difficult for the Group to predict with certainty the precise time horizon for when the Matheson Remaining Unit and other property investment opportunity may materialise into a binding commitment or transaction (if at all) which would in the Board's view, be in the interests of Easyknit Enterprises and Shareholders as a whole, since the Group principally

LETTER FROM THE BOARD

engages in the business of property development and property investment, it is prudent and appropriate for the Group to maintain a sufficient bank and cash balance as well as standby financing resources from time to time, which include the funds to be raised from the Rights Issue, in order to grasp the opportunities to acquire favourable investment properties.

The Board confirmed that the Company may consider using the equity fund raising or bank financing to settle the remaining consideration to acquire the Matheson Remaining Unit but it all depends on the market conditions. As at the Latest Practicable Date, the Company has not entered into any binding agreement with the owner of the Matheson Remaining Unit.

- (e) the remaining balance of approximately HK\$26 million will be utilised for general working capital of the Group.

Announcement(s) will be made by Easyknit Enterprises in accordance with the Listing Rules as and when necessary when there is a material change in the use of net proceeds from the Rights Issue.

The subscription moneys of approximately HK\$210,000,000 which will be payable by Landmark Profits and Goodco to Easyknit Enterprises pursuant to the Undertakings will be set off against the remaining balance of HK\$240 million owed by Easyknit Enterprises to Easyknit International pursuant to the S&P Agreement(s); and net-off figures of approximately HK\$31 million will be paid in cash to Easyknit International. Landmark Profits, Goodco, Easyknit International and Easyknit Enterprises have agreed to the set-off arrangements.

The Board believes that the above is an appropriate allocation of funds.

(7) *Directors' Opinion*

The Directors confirmed that at the Latest Practicable Date, except for the potential investment for the acquisition of Matheson Remaining Unit, Easyknit Enterprises has no other plan to acquire any investment property(ies) nor entering into any binding agreement in respect of any potential investments or property development projects.

The Directors are of the opinion that, after taking into consideration into account the acquisition of Properties Group and the present available financial resources, its expected internally generated funds and present available bank facilities of the Group, the Group will have sufficient working capital for the present requirements and for the period up to 12 months from the Latest Practicable Date in the absence of unforeseen circumstances.

LETTER FROM THE BOARD

The Board considers that the Rights Issue will allow Easyknit Enterprises to raise funds without increasing its gearing and give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in Easyknit Enterprises. Hence, the Board considers that fund raising of this scale through the Rights Issue is in the best interests of Easyknit Enterprises and the Shareholders as a whole.

Having considered the above factors, the Directors are of the view that the S&P Agreement(s) and the proposed Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of Easyknit Enterprises and the Shareholders as a whole.

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

Upon Completion, the Target Companies of the Properties Group will cease to be the wholly-owned subsidiaries of Easyknit International and will become wholly-owned subsidiaries of the Company. Accordingly, the Company will be interested in 100.0% of the Target Companies and the financial results of the Target Companies will be consolidated by the Group upon Completion.

Based on the unaudited pro forma financial information of the Group upon completion of the S&P Agreement(s) and the Rights Issue as set out in Appendix III to this circular, which has been prepared as if the S&P Agreement(s) and the Rights Issue had been completed on 31 March 2015, the profit attributable to the owners of the Company will decrease from approximately HK\$31.1 million to approximately HK\$14.7 million for the year ended 31 March 2015 upon completion of the S&P Agreement(s) and the Rights Issue.

As illustrated in the unaudited pro forma consolidated statements of financial position of the Group as set out in Appendix III to this circular, which has been prepared as if the S&P Agreement(s) and the Rights Issue had been completed on 31 March 2015, the total assets of the Group would increase from approximately HK\$1,919.2 million to HK\$2,425.6 million whilst the total liabilities of the Group would increase from approximately HK\$356.5 million to HK\$358.3 million.

Based on the unaudited pro forma financial information of the Group upon completion of the S&P Agreement(s) and the Rights Issue set out in Appendix III to this circular, which has been prepared as if the S&P Agreement and the Rights Issue had been completed on 31 March 2015, the consolidated net tangible assets of the Group upon completion of the S&P Agreement(s) and the Rights Issue will increase to approximately HK\$2,067.3 million from approximately HK\$1,562.6 million immediately prior to the Rights Issue.

Details of the pro forma financial information of the Group following the completion of the S&P Agreement(s), Capital Reorganisation and the Rights Issue are set out in Appendix III to this circular.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF EASYKNIT ENTERPRISES FOR THE PAST 24 MONTHS

The fund raising activities of Easyknit Enterprises during the past 24 months immediately before the Latest Practicable Date are set out in Table 4 to this circular.

LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, Easyknit International, through Goodco and Landmark Profits, its wholly-owned subsidiaries, has indirect interests of approximately 40.96% of the issued share capital of Easyknit Enterprises. As such, the purchase of the Properties Group constitutes a connected transaction under Chapter 14A of the Listing Rules on Stock Exchange. Further, as the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100%, it also constitutes a very substantial acquisition of Easyknit Enterprises under Rule 14.08 of the Listing Rules. In view of the above, the S&P Agreements and Supplemental Agreement, and transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The number of Rights Shares to be issued pursuant to the Rights Issue represents twenty times Easyknit Enterprises' issued share capital after the Capital Reorganisation and approximately 95.24% of Easyknit Enterprises' 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 50.0%, the Rights Issue is subject to approval from Independent Shareholders 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 to approve the S&P Agreement(s) and Supplemental Agreement, the proposed 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 Wednesday, 7 October 2015 at 9:10 a.m. is set out on N-1 to N-5 of this circular. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

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

LETTER FROM THE BOARD

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

RECOMMENDATIONS

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

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the S&P Agreement(s), Supplemental Agreement, the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder are fair and reasonable and that the Rights Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the S&P Agreement(s), 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 49 to 50 of this circular which contains its recommendations to the Independent Shareholders in relation to the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 51 to 85 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

**TABLE 1: SHAREHOLDING STRUCTURE — NO EXERCISE OF THE OUTSTANDING
2014 CONVERTIBLE NOTE AND 2015 CONVERTIBLE NOTE**

	As at the Latest Practicable Date	Immediately after the Capital Reorganisation but before the Completion	Immediately after the Completion (all Rights Shares are subscribed by the Qualifying Shareholders	Immediately after the Completion (only Landmark Profits and Goodco have subscribed the Rights Shares
	<i>No. of Existing Shares</i>	<i>No. of Existing Shares</i>	<i>No. of Existing Shares</i>	<i>No. of Existing Shares</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Landmark Profits	44,547,384	4,454,738	93,549,498	93,549,498
	8.38	8.38	8.38	8.38
Goodco	173,229,147	17,322,914	363,781,194	363,781,194
– Shares	32.58	32.58	32.58	32.58
Sub-total	217,776,531	21,777,652	457,330,692	457,330,692
	40.96	40.96	40.96	40.96
Public	—	—	—	627,884,900
– Underwriter	—	—	—	56.23
– Other public shareholders	313,942,440	31,394,245*	659,279,145	31,394,245
	59.04	59.04	59.04	2.81
Total	531,718,971	53,171,897	1,116,609,837	1,116,609,837
	100.00	100.00	100.00	100.00

* including fractions of 1 Rights Shares

TABLE 2: SHAREHOLDING STRUCTURE — FULL EXERCISE OF THE OUTSTANDING 2014 CONVERTIBLE NOTE AND 2015 CONVERTIBLE NOTE

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		Immediately after the Completion (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Completion (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	No. of Existing Shares	%	No. of Existing Shares	%	No. of Existing Shares	%	No. of Existing Shares	%
Landmark Profits	44,547,384	6.07	4,454,738	6.07	93,549,498	6.07	93,549,498	6.07
Goodco								
– EE Shares	173,229,147	23.60	17,322,914	23.60	363,781,194	23.60	363,781,194	23.60
– Ordinary shares converted from 2014 Convertible Note	101,176,470	13.78	10,117,647	13.78	212,470,587	13.78	212,470,587	13.78
Sub-total	318,953,001	43.45	31,895,299	43.45	669,801,279	43.45	669,801,279	43.45
Public								
– Holder of 2015 Convertible Note	101,176,470	13.78	10,117,647	13.78	212,470,587	13.78	212,470,587	13.78
– Underwriter	—	—	—	—	—	—	627,884,900	40.73
– Other public shareholders	313,942,440	42.77	31,394,245*	42.77	659,279,145	42.77	31,394,245	2.04
Total	734,071,911	100.00	73,407,191	100.00	1,541,551,011	100.00	1,541,551,011	100.00

* including fractions of 1 Rights Shares

TABLE 3:

ACCUMULATIVE DILUTION EFFECT OF THE FUND RAISING ACTIVITIES

The table below sets out the accumulative dilution effects of the fund raising activities taking into account of the fund raising activities of Easyknit Enterprises in the past 24 months, including the proposed Share Consolidation and the proposed Rights Issue.

Accumulative dilution effect on the completion of fund raising activities of the Company

	No. of shares before P1	%	No. of shares upon completion of P1	%	No. of shares upon consolidation 11/2013	%	No. of shares upon completion of RI	%	No. of shares upon conversion shares CI	%	No. of shares upon completion of P2	%	No. of shares upon completion of P3	%
Landmark Profits														
rights shares R1	314,267,376	19.072	314,267,376	15.89	7,856,684	15.89	7,856,684	2.65	7,856,684	2.41	7,856,684	2.01	7,856,684	1.67
rights shares R2							39,283,420	13.24	39,283,420	12.05	39,283,420	10.04	39,283,420	8.37
rights shares R3														
current														
Goodco														
rights shares R1	402,943,824	24.454	402,943,824	20.38	10,073,595	20.38	10,073,595	3.40	10,073,595	3.09	10,073,595	2.57	10,073,595	2.15
CB shares C1							50,367,975	16.98	50,367,975	15.45	50,367,975	12.87	50,367,975	10.73
rights shares R2							29,411,764	9.02	29,411,764	9.02	29,411,764	7.52	29,411,764	6.27
rights shares R3														
current														
Public														
placing P1	930,554,800	56.474	930,554,800	47.06	23,263,871	47.06	23,263,871	7.84	23,263,871	7.14	23,263,871	5.95	23,263,871	4.96
rights shares R1			329,540,000	16.67	8,238,500	16.67	8,238,500	2.78	8,238,500	2.53	8,238,500	2.11	8,238,500	1.76
placing P2							157,511,855	53.11	157,511,855	48.32	157,511,855	40.26	157,511,855	33.57
rights shares R2											65,200,000	16.67	65,200,000	13.90
rights shares R3													78,000,000	16.62
current														
Total	1,647,766,000	100.000	1,977,306,000	100.00	49,432,650	100.00	296,595,900	100.00	326,007,664	100.00	391,207,664	100.00	469,207,664	100.00
Remaining value of the existing shares after accumulative dilution effect				83.33				13.89		12.64		10.53		8.78

TABLE 3:
(continued)

**ACCUMULATIVE DILUTION EFFECT OF
THE FUND RAISING ACTIVITIES**

	No. of shares upon issuing conversion shares C1	%	No. of shares upon share consolidation 10/2014	%	No. of shares upon completion of R2	%	No. of shares upon share consolidation 03/2015	%	No. of shares upon completion of R3	%	No. of shares upon share consolidation current	%	No. of shares upon rights issue current	%
Landmark Profits														
rights shares	7,856,684	1.40	785,668	0.16	785,668	0.16	39,283	0.01	39,283	0.01	3,928	0.01	3,928	0.00
rights shares	39,283,420	6.98	3,928,342	0.78	3,928,342	0.78	196,417	0.04	196,417	0.04	19,642	0.04	19,642	0.00
rights shares			37,712,080	7.45	37,712,080	7.45	1,885,604	0.35	1,885,604	0.35	188,560	0.35	188,560	0.02
rights shares					42,426,080	7.98	42,426,080	7.98	42,426,080	7.98	4,242,608	7.98	4,242,608	0.38
current							89,094,760				89,094,760		89,094,760	7.98
Goodco														
rights shares	10,073,595	1.79	1,007,360	0.20	1,007,360	0.20	50,368	0.01	50,368	0.01	5,036	0.01	5,036	0.00
CB shares	50,367,975	8.95	5,036,797	0.99	5,036,797	0.99	251,840	0.05	251,840	0.05	25,184	0.05	25,184	0.00
rights shares	122,869,707	21.84	12,286,970	2.43	12,286,970	2.43	614,348	0.12	614,348	0.12	61,435	0.12	61,435	0.01
rights shares			146,649,016	28.96	146,649,016	28.96	7,332,451	1.38	7,332,451	1.38	733,245	1.38	733,245	0.07
rights shares					164,980,140	31.03	164,980,140	31.03	164,980,140	31.03	16,498,014	31.03	16,498,014	1.48
current							346,458,280				346,458,280		346,458,280	31.03
Public														
placing	23,263,871	4.13	2,326,387	0.46	2,326,387	0.46	116,319	0.02	116,319	0.02	11,632	0.02	11,632	0.00
rights shares	8,238,500	1.46	823,850	0.16	823,850	0.16	41,193	0.01	41,193	0.01	4,119	0.01	4,119	0.00
placing	157,511,855	27.99	15,751,185	3.11	15,751,185	3.11	787,559	0.15	787,559	0.15	78,756	0.15	78,756	0.01
rights shares	65,200,000	11.59	6,520,000	1.29	6,520,000	1.29	326,000	0.06	326,000	0.06	32,600	0.06	32,600	0.00
placing	78,000,000	13.86	7,800,000	1.54	7,800,000	1.54	390,000	0.07	390,000	0.07	39,000	0.07	39,000	0.00
rights shares			265,771,376	52.48	265,771,376	52.48	13,288,569	2.50	13,288,569	2.50	1,328,857	2.50	1,328,857	0.12
rights shares					298,992,800	56.23	298,992,800	56.23	298,992,800	56.23	29,899,281	56.23	29,899,281	2.68
current							627,884,900				627,884,900		627,884,900	56.23
Total	562,665,607	100.00	56,266,559	100.00	506,399,031	100.00	25,319,951	100.00	531,718,971	100.00	53,171,897	100.00	1,116,609,837	100.00
Remaining value of the existing shares after accumulative dilution effect		7.32		0.81		0.81		0.04		0.04		0.04		0.00

Note: For the description of the fund raising activities of C1, P1, P2, P3, R1, R2 and R3, please refer to the Table 4 of this circular.

TABLE 4:

**FUND RAISING ACTIVITIES
FOR THE PAST 24 MONTHS**

The following table sets out the fund raising activities of the Company during the past 24 months immediately before the date of this circular.

Date	Event	Net Proceeds (HK\$)	Intended use of net proceeds	Actual use of net proceeds (HK\$)
P1 11 September 2013	Placing of 329,553,200 new Shares under general mandate	20 million	For general working capital	Fully applied for the settlement of trade payable
R1 3 October 2013	Rights issue of 247,163,250 new Shares	146 million	For general working capital	Fully applied for: (1) 102 million for the acquisition of the Matheson Street Project (2) 44 million for the settlement of trade payable
C1 16 January 2014	Issue of 2014 Convertible Note with an aggregate principal amount of HK\$100 million	98.7 million	For the acquisition and redevelopment of the Matheson Street Project	Fully applied for the acquisition of the Matheson Street Project
P2 6 June 2014	Placing of 65,200,000 new Shares under general mandate	22.5 million	For general working capital	Fully applied for the settlement of trade payable

TABLE 4:
(continued)

**FUND RAISING ACTIVITIES
FOR THE PAST 24 MONTHS**

Date	Event	Net Proceeds (HK\$)	Intended use of net proceeds	Actual use of net proceeds (HK\$)
P3 11 August 2014	Placing of 78,000,000 new Shares under general Mandate	23.1 million	For general working capital	Fully applied for the settlement of trade payable
R2 5 September 2014	Rights issue of 450,132,472 new Shares	312.0 million	For the acquisition of the Inverness Road Property	Fully applied for the acquisition of the Inverness Road Properties
R3 2 March 2015	Rights issue of 506,399,020 new Shares	326.0 million	(a) HK\$260 million for redevelopment cost of the Inverness Road Project (b) HK\$66 million for general corporate purposes	(a) Applied 1.2 million as the development cost of Inverness Road Project Balance of 258.8 million to be applied as intended (b) Fully applied for loan financing business
C2 29 May 2015	Issue of 2015 Convertible Note with an aggregate principal amount of HK\$86 million	85.9 million	For general working capital	Fully applied for (a) 25.7 million acquired the Matheson Street Properties (b) 55.9 million for investment of securities business (c) 4.3 million for the settlement of trade payable



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

14 September 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION IN RELATION TO
THE PURCHASE OF THE PROPERTIES GROUP;
AND
(2) 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 14 September 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 S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the S&P Agreement(s), Supplemental Agreement, the Rights Issue and the transactions contemplated thereunder and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the SGM to approve the S&P Agreement(s), the Supplemental Agreement, 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 S&P Agreement(s), Supplemental Agreement, the Rights Issue and the transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

* *for identification 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 S&P Agreement(s), Supplemental Agreement, the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the S&P Agreement(s), the Rights Issue and the transactions contemplated thereunder are in the interests of Easyknit Enterprises and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the S&P Agreement(s), Supplemental Agreement, the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Kan Ka Hon

*Independent non-executive
Director*

Lau Sin Ming

*Independent non-executive
Director*

Foo Tak Ching

*Independent non-executive
Director*

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

14 September 2015

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

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION IN RELATION TO
THE PURCHASE OF THE PROPERTIES GROUP
AND
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 S&P Agreements, the proposed Rights Issue and transactions contemplated thereunder, 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 14 September 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 6 August 2015, the Company and the Vendor (being a wholly-owned subsidiary of Easyknit International) entered into the S&P Agreements, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Share(s), representing the entire issued share capital of each of the Target Companies of the Properties Group at an aggregate consideration of HK\$240 million. Upon Completion, the Target Companies will become subsidiaries of the Company.

The Properties Group comprises five Target Companies which are the wholly-owned subsidiaries of Easyknit International. The Consideration of HK\$240 million will be settled by the Company from the net proceeds raised from the proposed Rights Issue upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company proposes to raise approximately HK\$510 million, before expenses, by way of Rights Issue of 1,063,437,940 Rights Shares at the Subscription Price of HK\$0.48 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\$505 million of which HK\$240 million are intended to be used in relation to the purchase of the Sale Share(s) of the Properties Group; HK\$139 million to be applied for the repayment of bank loan; HK\$30 million to be earmarked for the acquisition of the Matheson Remaining Unit or potential investment; HK\$70 million to be applied for the segments of investment of listed securities and loan financing; and the remaining HK\$26 million as general working capital of the Company.

In addition, the Board also proposes to put forward to the Shareholders 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.

As of the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, its wholly-owned subsidiaries, is interested in 217,776,531 Shares, representing approximately 40.96% of the total issued share capital of the Company. As such, the purchase of the Properties Group constitutes a connected transaction under Chapter 14A of the Listing Rules on Stock Exchange. Furthermore, as the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Consideration exceeds 100%, it also constitutes a very substantial acquisition of the Company under Rule 14.08 of the Listing Rules. As such, the transactions contemplated under the S&P Agreements are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The number of Rights Shares to be issued pursuant to the Rights Issue represents 20 times of the Company's issued share capital after the Capital Reorganisation and approximately 95.24% 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 from Independent Shareholders at the SGM.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

OUR INDEPENDENCE

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

Date of the relevant circular and our letter of advice	Nature of the transaction
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
2 March 2015	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 S&P Agreements and the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. The S&P Agreements

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

A.1. Background of and reasons for entering into the S&P Agreements

A.1.1. Information on the Vendor and the Properties Group

The Vendor, a wholly-owned subsidiary of Easyknit International, is a company incorporated in the BVI with limited liability, it is principally engaged in property management.

The Properties Group has 11 properties, of which six are residential units (three units in Hong Kong and three units in Singapore) and five are industrial units in Hong Kong. All the 11 units are leased to third parties independent of Easyknit Enterprises. The expiration date of each tenancy is different but the expiration date of the respective tenancies ranges between August 2015 and May 2017. The aggregate monthly rental of the Properties Group is approximately HK\$547,000. The Properties Group comprises five Target Companies which are the wholly-owned subsidiaries of Easyknit International, details of each Target Company are shown as below:

- (i) Grow Well Profits Limited, an investment holding company incorporated in the BVI which holds 100% interest in the Singapore Properties, its sole asset;
- (ii) Supertop Investment Limited, an investment holding company incorporated in the BVI. It, via Goldchamp International Limited, holds 100% equity interest in the ST Properties, its sole asset;
- (iii) Golden Top Properties Limited, an investment holding company incorporated in Hong Kong which holds 100% interest in the GT Property, is sole asset; and
- (iv) Janson Properties Limited, an investment holding company incorporated in Hong Kong which holds 100% interest in Janson Property in Hong Kong, its sole asset; and
- (v) Goldchamp International Limited, a wholly-owned subsidiary of Supertop Investment Limited which holds 100% interest in the ST Properties, its sole asset.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A.1.2. Business overview of the Group

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

Set out below is a summary of the financial information of the Group for the each of the three years ended 31 March 2015, which are extracted from the Company's annual reports for the year ended 31 March 2014 (the "Annual Report 2014") and for the year ended 31 March 2015 (the "Annual Report 2015") respectively:

Table 1: Consolidated Statement of Profit or Loss

	For the year ended 31 March		
	2013	2014	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	223,759	156,940	192,489
Sales of goods	211,770	142,138	172,082
Rental income	11,780	13,927	19,256
Interest income from loan financing	206	875	1,151
 (Loss)/profit for the year from continuing operations	 (21,922)	 (2,541)	 31,086
Profit/(loss) for the year attributable to owners of the Company	<u>4,695</u>	<u>(2,541)</u>	<u>31,086</u>

Table 2: Consolidated Statement of Financial position

	As at 31 March		
	2013	2014	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Non-current assets	630,515	657,313	953,799
Current assets	373,464	732,189	965,382
Current liabilities	31,298	37,178	179,321
Non-current liabilities	174,802	229,230	177,215
Capital and reserves	<u>797,879</u>	<u>1,123,094</u>	<u>1,562,645</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: Extract of segment assets

	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets			
Garment sourcing and exporting	8,387	6,515	20,952
Property investments	1,070,635	721,188	705,339
Property developments	568,120	—	—
Investment in securities	108,714	131,669	72,909
Loan financing	23,720	17,591	17,588
Unallocated bank balances and cash	139,389	512,052	186,936
Others	216	487	255
Consolidated assets	<u>1,919,181</u>	<u>1,389,502</u>	<u>1,003,979</u>

With reference to the Annual Report 2014, the decrease in the Group's total turnover in the year ended 31 March 2014 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 the year ended 31 March 2014. During the year ended 31 March 2015, turnover of all segments of the Group reported an increase as compare to the last corresponding year. The Group's rental income increased from approximately HK\$11.8 million in the year ended 31 March 2013 to approximately HK\$13.9 million in the year ended 31 March 2014, and further to approximately HK\$19.3 million in the year ended 31 March 2015.

While the Group's continuing operations incurred losses for the years ended 31 March 2013 and 2014 of approximately HK\$21.9 million and HK\$2.5 million respectively, it reported a profit from continuing operations of approximately HK\$31.1 million for the year ended 31 March 2015. Such improvement was mainly attributable to the reduced loss on changes in fair value of investment properties.

As shown in Table 2 above, the Group's non-current assets increased significantly from approximately HK\$373.5 million as at 31 March 2013 to approximately HK\$732.2 million as at 31 March 2014 and further to approximately HK\$965.4 million as at 31 March 2015. We note that from the Annual Report 2014 and Annual Report 2015 that the majority of the Group's non-current assets as at each of the respective financial position dates stated in the above table was investment properties. As at 31 March 2015, the Group's investment properties amounted to approximately HK\$924.5 million, representing approximately 96.9% of

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the Group's non-current assets as at 31 March 2015. It also represented an increase of approximately HK\$283.9 million a growth rate of approximately 44.3% as compared to the figure as at 31 March 2014, which was primarily due to the acquisition of the properties for the Matheson Street Project and the Inverness Road Project.

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 2015 that "The Group remains confident and optimistic towards the property market." and "Looking forward to 2015/16, the Group shall emphasis on the property development business and to explore further quality investment opportunities to enhance its shareholders wealth."

A.1.3. Our view

After enquiring with the Company, we are given to understand that the Directors consider that acquiring the Properties Group, which includes 11 developed properties, would save time and costs as compared to acquiring potential properties to be redeveloped and would generate income immediately upon Completion. Furthermore, as the Group is principally engaged in property investment, the Directors are of the view that the Properties Group is a potential investment opportunity to strengthen the Group's property investment segment and to defend inflation, as well as provide a stable monthly income to the Group and to deliver benefits to the Group and the Shareholders. According to the "*Hong Kong Monthly Digest of Statics – Consumer Price Index and Its Movements in 2014*" published by the Census and Statistics Department, the composite consumer price index rose from 4.1 in 2012 to 4.3 in 2013 and further increased to 4.4 in 2014, while the property market statistics published by the Rating and Valuation Department demonstrated an increasing trend in the average price of property in Hong Kong. We consider that investment in properties would render a cushion to possible decline in the real cash or cash equivalent type of asset on the occasion of further increase in inflation rate contingent upon the effectiveness of the hedging characteristic of property asset against inflation. Based on the above and having considered in particular that:

- (i) the acquisition of the Sale Shares involving principally the purchase of the Properties Group is consistent with the prospects and strategy of the Group which has previously been disclosed by the Company in the Annual Report 2015;
- (ii) according to the Annual Report 2015, property investment is the only segment that recorded profit and we concur with the Directors' view that acquiring the Properties Group would strengthen the Group's property investment segment; and

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(iii) the acquisition of the Properties Group enables the Group to defend inflation as well as to generate a recurrent aggregate monthly rental income of approximately HK\$547,000 to the Group immediately upon Completion,

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

A.2. Principal terms of the S&P Agreements

A.2.1. The Consideration

The Consideration for acquiring the Sale Shares, representing the entire issued share capital of each of the Target Companies of the Properties Group, is HK\$240 million in aggregate. The Consideration of HK\$240 million will be settled in full by the Company by cash upon Completion, which is intended to be financed by the net proceeds from the proposed Rights Issue.

As advised by the Directors, the Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the location of the Properties Group and the aggregate valuation of the Properties Group of approximately HK\$240 million as at mid-July 2015 (the "**Appraised Value**") as indicated by two independent valuers (the "**Valuers**"), Knight Frank and DTZ. We note that the Consideration of HK\$240 million is equivalent to the Appraised Value of approximately HK\$240 million.

A.2.2. The Valuation

The Valuation Reports, which were prepared by the Valuers and contains the Valuations as well as the details of the methodologies and assumptions of the Valuations, is set out in Appendix IV and Appendix V to the Circular. According to the Valuation Reports, the Appraised Value of the Properties Group is approximately HK\$240 million,

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the table below set forth the Valuation of different properties of the Properties Group:

Property	Market value as at mid-July 2015 HK\$
Singapore Properties	137,558,785
ST Properties	60,750,000
GT Property	29,800,000
Janson Property	11,680,000
The Properties Group	<u>239,788,785</u>

We have interviewed the Valuers as to its expertise and independence. Knight Frank confirmed to us that it has more than 20 years of experience in property valuation in Hong Kong and China. DTZ confirmed to us that it has more than 15 years of experience in property valuation in Singapore. Each of the Valuers confirmed that except for its engagement in respect of the valuation of the Properties Group, it has no current or prior relationships with the Company and the Company's connected persons. We are not aware of any matters that would cause us to question the Valuers' expertise and independence.

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

We understand from the Valuers that they have relied on certain information made available to them by the Company. We note that such representations made by the Company to the Valuers are consistent with the information contained in the Circular. We also understand that Knight Frank and DTZ have physically inspected the Properties Group in July 2015 in Hong Kong and Singapore respectively. In addition, Knight Frank has conducted land searches at the Land Registry and DTZ has conducted land searches at the Singapore Land Authority respectively. The Valuers are not aware of any matters that would cause it to question the truthfulness or reasonableness of the information provided by the Company.

We note from the Valuation Reports that the Valuers have valued the Properties Group by direct comparison approach with reference to market comparables with due allowances for the differences between the

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comparables and the Properties Group. We understand from the Valuers that direct comparison approach is a commonly used approach and is appropriate for assessing the market value of the Properties Group. We further understand from the Valuers that as part of the direct comparison method, they have made reference to, among others, the recent transaction prices of sites of comparable size, character and location. We have obtained from the Valuers the details of the comparable transactions that they had made reference to in valuing the Properties Group. We noted that Knight Frank has identified aggregate 15 recent transactions and DTZ has identified aggregate 3 recent transactions the vicinity of the members of the Properties Group, which are comparable to the members of the Properties Group in terms of each of their of size, character and location. Based on our review of such comparable transactions, we note that the value per sq. ft. of maximum permitted gross floor area represented by the Appraised Value is within the range as indicated by such comparable transactions.

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

Based on all of the foregoing, we concur with the Valuers' view that (i) the valuation methodology adopted by the Valuers is common and appropriate for determining the market value of properties such as the Properties Group; (ii) the bases and assumptions for the valuations of the Properties Group are fair and reasonable; and (iii) the Appraised Value of approximately HK\$240 million was fairly and reasonably derived.

A.2.3. Possible financial effects on the Group upon completion of the S&P Agreements

Upon completion of the S&P Agreements, the Target Companies of the Properties Group will cease to be the wholly-owned subsidiary of Easyknit International and will become wholly-owned subsidiaries of the Company.

According to the 2015 Annual Report, the Group's turnover for the year ended 31 March 2015 was approximately HK\$192.5 million. As mentioned in the above section, the Properties Group will contribute an aggregate monthly rental of approximately HK\$547,000. Base on

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the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the turnover of the Group would increase by approximately HK\$6.6 million from approximately HK\$192.5 million to approximately HK\$199.1 whereas its profit attributable to the owners of the Company would decrease from approximately HK\$31.0 million to approximately HK\$14.7 million for the year ended 31 March 2015 upon completion of the S&P Agreements.

The Group had total assets of approximately HK\$ 1,919 million and total liabilities of approximately HK\$357 million as at 31 March 2015. Upon completion of the S&P Agreements, the Group's total assets would increase by approximately HK\$506 million whilst the total liabilities of the Group would increase by approximately HK\$1.3 million. As a result, the Group's net assets would increase by approximately HK\$504.7 million from approximately HK\$1,562.6 million to approximately HK\$2,067.3 million.

A.2.4. Our View

Having considered that (i) the Consideration of HK\$240 million is equivalent to the Appraised Value of approximately HK\$240 million; and (ii) the Appraised Value of approximately HK\$240 million was fairly and reasonably derived by the Valuers using common and appropriate methodology and based on fair and reasonable bases and assumptions as discussed above, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

B. The Rights Issue

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

B.1 Background of and reasons for the Rights Issue

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

As mentioned in the Letter from the Board, the estimated net proceeds from the Rights Issue will be approximately HK\$505 million of which HK\$240 million are intended to be used in relation to the purchase of the Sale Share(s) of the Properties Group; HK\$139 million to be applied for the repayment of bank loan; HK\$30 million to be earmarked for the acquisition of the Matheson Remaining Unit or potential investment; HK\$70 million to be applied for the segments of investment of listed securities and loan financing; and the remaining HK\$26 million as general working capital of the Company.

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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 the Circular:

Date	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
11 August 2014	Placing new Shares under general mandate	HK\$23.1 million	For general working capital	Applied as intended
5 September 2014	Rights Issue	HK\$312.0 million	For the acquisition of Inverness Road Property	Applied as intended
2 March 2015	Rights Issue	HK\$329.2 million	(a) HK\$260 million for redevelopment cost of the Inverness Road Project (b) HK\$66 million for general corporate purposes	(a) Applied HK\$1.2 million as intended, balance of HK\$258.8 million to be applied as intended (b) Fully applied as intended
29 May 2015	Issue of 2015 Convertible Note with an aggregate principal amount of HK\$86 million	HK\$85.9 million	For general working capital	Applied as intended

As set out in Table 4 of the Circular and the table above, the Company has carried out eight fund raising activities in the past 24 months. We note that the net proceeds of such fund raising activities were intended for (i) general working capital; (ii) the acquisition and related redevelopment in respect of the Matheson Street Project; and (iii) the acquisition and related redevelopment in respect of the Inverness Road Project. Majority of the net proceeds from the fund raising activities in

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the past 24 months were fully applied as the respective intended uses. 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 Inverness Road Project. Therefore, despite the cash and bank balances currently available to the Group, the Company is raising funds to complete the purchases of the Sale Shares.

Given that the fund raised from the fund raising activities in the past 24 months were applied or to be applied for the Group's general working capital and investment of certain property projects, which would broaden the Group's property portfolio and bring potential income in the long run, we are of the view that the past fund raising activities are in the interest so the Company and the Shareholders as a whole.

B.1.2. Financing alternatives

We have discussed with the Directors regarding other financing methods such as placing and banking facilities. As advised by the management of the Company, applying for a bank loan of HK\$549 million would incur interest expenses at an annual interest rate of approximately 2.50% to 2.75% on top of the HIBOR rate, plus legal and professional fee of approximately HK\$2.0 million. We note that (i) debt financing and bank borrowings will incur interest burden, legal and professional fee 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 the financial years ended 31 March 2013 and 31 March 2014 respectively; (ii) the Rights Issue removes a certain degree of uncertainty as compared to best-efforts placing; (iii) all the Qualifying Shareholders have an equal opportunity to participate in the enlargement of the Company's capital base and the Company's future development; (iv) the Rights Issue enables all Qualifying Shareholders to maintain their proportionate interests in the Company; and (v) the Shareholders who do not participate in the fund raising of the Company can dispose of their rights shares entitlements in the market in nil-paid form. Based on the foregoing, we concur with the Directors' view that the Rights Issue is an appropriate means to meet the funding the Consideration of HK\$240 million.

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B.1.3. Our view

Based on the above and having considered that:

- (i) the Company requires additional funding of approximately HK\$240 million to complete the purchase of the Sale Shares, which would enhance the Group's property portfolio and generate recurrent rental income;
- (ii) as advise by the Management, the Group's current bank borrowings has an annual interest rate of approximately 3%, equivalent to an interest expense of approximately \$4.17 million per year. The net proceeds of approximately HK\$139 million will be utilised for the repayment of bank borrowings and interest of the Group, which would reduce the interest burden of the Group;
- (iii) although there was no urgency for the business of investment securities and loan financing by the Group, the nature of such business, of which cash is essential for it to carry out its investment decision in a timely manner;
- (iv) the remaining net proceeds of approximately HK\$56 million will be utilised for the acquisition of the Matheson Remaining Unit and general working capital, which would strengthen the Group's business segments and further broaden the Group's investment portfolio;
- (v) benefits of financing by way of Rights Issue outweigh that of other financing alternatives as discussed in the paragraph headed "B.1.2. Financing Alternatives" above;
- (vi) the S&P Agreements are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraph headed "A.1. Background of and reasons for entering into the S&P Agreements" above; and

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

we concur with the Directors’ view that the Rights Issue enables the Group to enhance its property portfolio and is in the interest of the company and the Shareholders as a whole.

B.2 Principal terms of the Rights Issue

The Company proposes to raise approximately HK\$510 million, before expenses, by way of Rights Issue of 1,063,437,940 Rights Shares at the Subscription Price of HK\$0.48 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\$505 million of which HK\$240 million are intended to be used in relation to the purchase of the Sale Share(s) of the Properties Group; HK\$139 million to be applied for the repayment of bank loan; HK\$30 million to be earmarked for the acquisition of the Matheson Remaining Unit or potential investment; HK\$70 million to be applied for the segments of investment of listed securities and loan financing; and the remaining HK\$26 million as general working capital of the Company.

B.2.1. Subscription Price

The Subscription Price is HK\$0.48 per Rights Share. As advised by the Directors, the Subscription Price was determined based on arm’s length negotiations between the Company and the Underwriter with reference to (i) the low trading liquidity of the Shares for the recent 12 months; (ii) the prevailing market price of the Shares, which has been on a declining trend; (iii) the net loss of the Group in the financial years ended 31 March 2013 and 2014; and (iv) the Directors’ consideration of the future business development of the Group.

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

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Comparison with prevailing market price

We note that the Subscription Price represents:

- (i) a discount of approximately 88% to the adjusted closing price of HK\$4.00 per Adjusted Share, based on the closing price of HK\$0.40 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 88.12% to the adjusted average closing price of HK\$4.04 per Adjusted Share, based on the average closing price of HK\$0.404 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 26.15% to the theoretical ex-rights price of HK\$0.65 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.40 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 83.67% to net asset value of approximately HK\$2.94 per Share based on the audited consolidated net asset value of the Group attributable to the Shareholders of HK\$1,562,645,000 as at 31 March 2015 and 531,718,971 Shares in issue as at Last Trading Day;
- (v) a discount of approximately 77.25% to the adjusted closing price of HK\$2.11 per Adjusted Share, based on the closing price of HK\$0.211 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (vi) a discount of approximately 14.29% to the theoretical ex-rights price of HK\$0.56 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.211 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted to HK\$2.11 per share for the effect of the Capital Reorganisation.

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Comparison with historical closing prices

Set out below is the movements in the daily adjusted closing price per Adjusted Share based on the closing price per Existing Share as quoted on the Stock Exchange for a 12-month period from 6 August 2014 up to and including the Last Trading Day (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\$6.50 recorded on 8 July 2015 while the highest adjusted closing price per Adjusted Share was HK\$37.00 recorded on 30 March 2015. The average daily adjusted closing price per Adjusted Share was approximately HK\$20.58 per Adjusted Share.

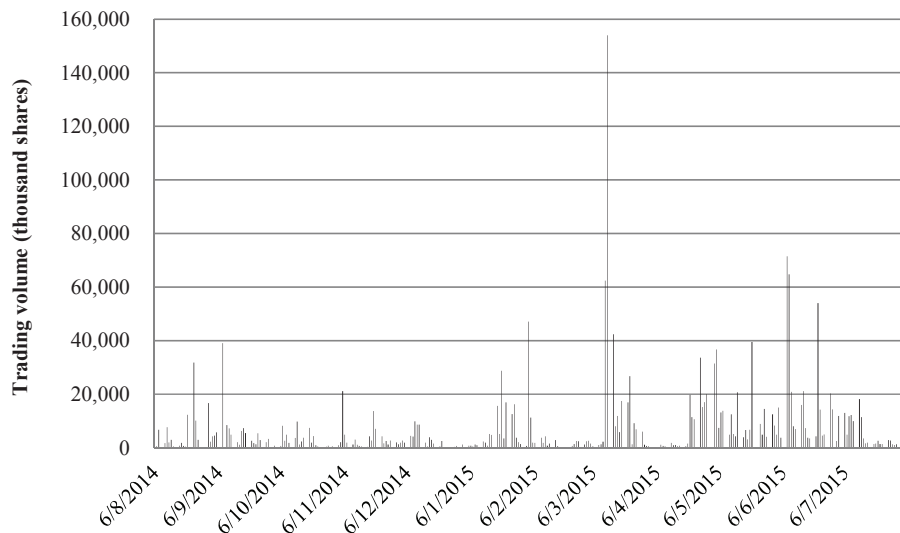
We note that the Subscription Price of HK\$0.48 per Rights Share is below the daily adjusted closing prices per Adjusted Share throughout the Review Period and represents (i) a discount of approximately 98.70% from the highest adjusted closing price; (ii) a discount of approximately 92.62% from the lowest adjusted closing price; and (iii) a discount of approximately 97.67% 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, despite the sharp increase in mid-June 2015, 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:



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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				Percentage of average daily trading volume to total number of shares held by public Shareholders as at the Latest Practicable Date <i>(Approximate %) (Note 3)</i>	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date <i>(Approximate %) (Note 2)</i>
	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) (Note 1)</i>		
2014					
August	92,122,589	18	5,062,366	0.95	1.61
September	133,553,766	21	6,359,703	1.20	2.03
October	55,604,646	21	2,647,840	0.50	0.84
November	77,182,631	20	3,859,132	0.73	1.23
December	59,684,974	21	2,842,142	0.53	0.91
2015					
January	125,410,994	21	5,971,952	1.12	1.90
February	87,045,809	19	4,581,358	0.86	1.46
March	381,681,031	22	17,349,138	3.26	5.53
April	137,364,977	19	7,229,736	1.36	2.30
May	241,316,612	19	12,700,874	2.39	4.05
June	383,702,199	22	17,441,009	3.28	5.56
July	119,121,299	22	5,414,605	1.02	1.72
August (up to and including the Last Trading Date)	4,341,000	3	1,447,000	0.27	0.46

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 531,718,971 Shares in issue as at the Latest Practicable Date

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3. Based on 313,942,440 Shares held by public Shareholders as at the Latest Practicable Date
4. The Review Period commenced on 6 August 2014 and ended on the Latest Practicable Date

We note that the average number of Shares traded per trading date in each month during the Review Period ranged from approximately 0.27% to approximately 3.28% of the total number of Shares in issue as at the Latest Practicable Date. During the Review Period, we note that there were six months that recorded percentages of average daily trading volume to the total number of Shares in issue as at the Latest Practicable Date below 1.00%, of which the average daily trading volume could be as low as 0.27% of the total number of Shares in issue as at the Latest Practicable Date. We consider that such trading volume of the Shares is fluctuate, which represents unstable and fluctuate trading liquidity of the Shares.

Comparison with recent rights issue transactions

In assessing the fairness of the Subscription Price, we also consider a comparison of rights issues conducted by companies listed on the Stock Exchange. 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, 28 rights issues (the “**Rights Issue Comparable(s)**”) for comparison purpose. To the best of our endeavour, we believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	(Discount) of	Premium/	Underwriting commission	Maximum dilution	Excess application
			subscription price over/ (to) the closing price	(discount) of subscription price over/ (to) the theoretical ex-rights price			
			on the last trading day	price	price		
			(%)	(%)	(%)	(%)	(Yes/No)
8 Jul 2015	King Fook Holdings Ltd. (280)	2 for 5	(28.57)	(22.08)	2.50	28.57	Yes

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Date of announcement	Company name (Stock code)	Basis of entitlement	(Discount) of	Premium/	Underwriting commission	Maximum dilution	Excess application
			subscription price over/ (to) the closing price	(discount) of subscription price over/ (to) the theoretical ex-rights price			
			on the last trading day	price	price	dilution	application
			(%)	(Note 1) (%)	(%)	(Note 3) (%)	(Yes/No)
26 Jun 2015	Food Idea Holdings Ltd (formerly known as Gayety Holding Limited) (8179)	1 for 2	(46.43)	(36.75)	1.50	33.33	No
26 Jun 2015	Vanke Property (Overseas) Ltd. (1036)	1 for 2	(19.92)	(14.19)	0.93	33.33	Yes
26 Jun 2015	King Stone Energy Group Ltd. (663)	1 for 2	(68.00)	(58.62)	2.50	33.33	No
23 Jun 2015	Hua Xia Health Holdings Ltd. (8143)	1 for 5	(48.20)	(7.90)	2.75	16.67	No
23 Jun 2015	AMCO United Holdings Ltd. (630)	3 for 1	(41.22)	(14.71)	3.50	75.00	Yes
14 Jun 2015	China Mobile Games and Cultural Investment Ltd. (8081)	1 for 2	(25.49)	(17.39)	3.50	33.33	Yes

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Date of announcement	Company name (Stock code)	Basis of entitlement	(Discount) of subscription price over/ (to) the closing price	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price	Underwriting commission	Maximum dilution	Excess application
			on the last trading day	(Note 1)			
			(%)	(%)	(%)	(%)	(Yes/No)
11 Jun 2015	Rui Kang Pharmaceutical Group Investments Ltd. (8037)	4 for 1	(38.98)	(11.33)	3.50	80.00	No
9 Jun 2015	Jia Meng Holdings Ltd. (8101)	3 for 1	(57.89)	(25.47)	3.50	75.00	No
4 Jun 2015	PNG Resources Holdings Ltd. (221).	5 for 2	(40.68)	(16.67)	2.50	71.43	Yes
1 Jun 2015	TCC International Holdings Ltd. (1136)	1 for 2	(25.17)	(18.22)	1.20	33.33	Yes
27 May 2015	Universe International Holdings Ltd. (1046)	2 for 1	(74.75)	(49.66)	3.50	66.67	Yes
21 May 2015	China Strategic Holdings Ltd. (235)	1 for 2	(49.15)	(39.27)	2.50	33.33	Yes
15 May 2015	Eternity Investment Ltd. (764)	1 for 1	(4.11)	(2.10)	2.50	50.00	Yes
14 May 2015	Capital Estate Ltd. (193)	1 for 2	(34.50)	(26.11)	2.00	33.33	Yes

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Date of announcement	Company name (Stock code)	Basis of entitlement	(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)
4 May 2015	Shihua Development Company Ltd. (485)	2 for 1	(63.10)	27.31	2.5	66.67	Yes
30 Apr 2015	South China Financial Holdings Ltd. (619)	1 for 2	(42.53)	(32.89)	1.00	33.33	Yes
24 Apr 2015	Hong Kong Education (Int'l) Investments Ltd. (1082)	4 for 1	(69.97)	(24.98)	3.50	80.00	Yes
22 Apr 2015	Capital Environment Holdings Ltd. (3989)	1 for 1	(25.00)	(15.10)	0.00	50.00	Yes
22 Apr 2015	Landing International Development Ltd. (582)	10 for 1	(75.86)	(22.22)	2.50	90.90	Yes
9 Apr 2015	Hanny Holdings Ltd. (275)	6 for 1	(74.19)	(29.11)	3.00	85.71	Yes
27 Mar 2015	Wai Yuan Tong Medicine Holdings Ltd. (897)	1 for 2	(31.65)	(23.40)	2.50	33.33	Yes

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Date of announcement	Company name (Stock code)	Basis of entitlement	(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)
26 Mar 2015	Emperor Capital Group Ltd. (717)	1 for 2	(32.40)	(24.20)	3.00	33.33	Yes
18 Mar 2015	Haitong International Securities Group Ltd. (665).	1 for 1	(33.71)	(20.27)	1.00	50.00	Yes
11 Mar 2015	Larry Jewelry International Company Ltd. (8351)	9 for 1	(82.35)	(25.74)	2.50	90.00	Yes
27 Feb 2015	Joy City Property Ltd. (207)	1 for 2	(5.60)	(3.60)	Non-underwritten basis (Note 2)	33.33	Yes
24 Feb 2015	GET Holdings Ltd. (8100)	3 for 1	(59.80)	(61.50)	3.50	75.00	Yes
17 Feb 2015	Get Nice Holdings Ltd. (64).	1 for 2	(21.13)	(15.15)	1.00	33.33	Yes
	Average		(43.58)	(22.55)	2.38	51.84	
	Maximum		(82.35)	27.31	3.50	90.90	
	Minimum		(4.11)	(61.50)	0.00	16.67	
6 Aug 2015	The Company	20 for 1	(88.00)	(26.15)	1.00	95.24	Yes

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

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Notes:

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

As shown on the above table, the subscription prices of all of the Rights Issue Comparables are set at a discount to the respective closing price per share on the last trading day, ranging from approximately 4.11% to approximately 82.35% with an average discount of approximately 43.58%. The Subscription Price represented a discount of approximately 88% to the adjusted closing price per Adjusted Share on the Last Trading Day, which is above the average discount and the range of discounts of the Rights Issue Comparables. We note that out of the 28 comparables, 12 of which set the subscription price of the right shares at a higher discount than the average discount of the Rights Issue Comparables.

We also note that the premium/discount to the theoretical ex-rights price per share represented by the Rights Issue Comparables ranged from a premium of approximately 27.31% to a discount of approximately 61.50% (the “**TEP Market Range**”), with an average discount of approximately 22.55%. The Subscription Price represented a discount of approximately 26.15% to the theoretical ex-rights price per Adjusted Share, which falls within the range of the Rights Issue Comparables but represents a lower discount than the corresponding average represented by the Rights Issue Comparables.

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The maximum dilution effect of approximately 95.24% falls outside the range of the maximum dilution effect of the Rights Issue Comparables and is above the average of the maximum dilution effect of the Rights Issue Comparables. However, we consider that maximum dilution effect is not likely to occur because it assumes that the Independent Shareholders have voted in favour of the Rights Issue at the SGM, yet decided not to subscribe for the Rights Shares, which is a misalignment between their voting behaviour and subscription decision. For those dissenting shareholders who do not wish to subscribe for their pro-rata Rights Shares, they could get economic benefits from selling their nil-paid rights of subscription.

We note that the discount of the Subscription Price to the adjusted closing price per Adjusted Share on the Last Trading Day falls outside the range of the Rights Issue Comparables, however, having considered (i) it is common for the listed issuers in Hong Kong to issue right shares at a discount to market price in order to enhance the attractiveness of a right issue transaction; (ii) the drop of approximately 78.38% of the adjusted price from 30 March 2015, being the day where the highest closing price occurred, to the Last Trading Date; (iii) the discount represented by the Subscription price to the theoretical price of the Share on the Last Trading Day falls within the range of the TEP Market Range; and (iv) all Qualifying Shareholders are offered equal opportunities to subscribe for the Rights Shares, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Our view

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

- (i) it is a common market practice that the subscription price of a rights issue is normally set at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue;
- (ii) although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for the recent market practice in relation to the subscription prices of other rights issues under the prevailing market conditions, including the premium or discount of the subscription price over the respective closing price on the

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last trading date and over the respective theoretical ex-rights price. We believe that the Right Issues Comparable would provide us the most recent relevant market information in assessing the fairness of the Subscription Price;

- (iii) the discounts represented by the Subscription Price are above the average discount and the ranges of discounts represented by the Rights Issue Comparables;
- (iv) the Group recorded loss from continuing operations for the financial years ended 31 March 2013 and 2014 as referred to the paragraph headed “A.1.2. Business overview of the Group” above;
- (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 unstable and fluctuate 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; and
- (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, together with the declining trend of the daily adjusted closing price per Adjusted Share and the unstable and fluctuate trading liquidity of the Shares during the Review Period, we consider that a high discount on the Subscription Price is inevitable for the Company to increase attractiveness of the Rights Issue to the Qualifying Shareholders and to induce the Underwriter to participate in the underwriting of the Rights Issue is justifiable. Despite the cumulative dilution effect from the fund

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raising activities in the past 24 months, as set out in Table 4 of the Circular, we are of the opinion and concur with the Directors' view that the discount on the Subscription Price is on normal commercial term and is fair and reasonable, and the maximum dilution effect of the Rights Issue is acceptable so far as the Independent Shareholders are concerned.

B.2.2. Underwriting commission

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

We note that the underwriting commissions in respect of the Rights Issue Comparables ranged from 0.0% to 3.5%, with an average of approximately 2.42%. As such, the underwriting commission of 1.0% under the Underwriting Agreement is within the range of the Rights Issue Comparables and is below the average commission rate of the Rights Issue Comparables. In view of the above, we consider that the underwriting commission of 1.0% under the Underwriting Agreement is on normal commercial term and is fair and reasonable as far as the Independent Shareholders are concerned.

B.2.3. Excess application

As stated in the 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 Rights Issue Comparables. We therefore consider that such allocation basis is consistent with normal market practice.

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B.2.4. Potential dilution effect of the Rights Issue

Under the scenarios of (i) the conversion rights attaching to the outstanding 2014 Convertible Note are not exercised; and (ii) full exercise of the outstanding 2014 Convertible Note and 2015 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:

Scenario (i): no exercise of the outstanding 2014 Convertible Note and 2015 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</i>	44,547,384	8.38	4,454,738	8.38	93,549,498	8.38	93,549,498	8.38
<i>Goodco</i>								
– Shares	<u>173,229,147</u>	<u>32.58</u>	<u>17,322,914</u>	<u>32.58</u>	<u>363,781,194</u>	<u>32.58</u>	<u>363,781,194</u>	<u>32.58</u>
Sub-total	217,776,531	40.96	21,777,652	40.96	457,330,692	40.96	457,330,692	40.96
<i>Public</i>								
Underwriter	—	—	—	—	—	—	627,884,900	56.23
Other public Shareholders	<u>313,942,440</u>	<u>59.04</u>	<u>31,394,245*</u>	<u>59.04</u>	<u>659,279,145</u>	<u>59.04</u>	<u>31,394,245</u>	<u>2.81</u>
Total	<u>531,718,971</u>	<u>100.00</u>	<u>53,171,897</u>	<u>100.00</u>	<u>1,116,609,837</u>	<u>100.00</u>	<u>116,609,837</u>	<u>100.00</u>

* including fractions of 1 Rights Shares

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Scenario (ii): full exercise of the outstanding 2014 Convertible Note and 2015 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>%</i>		<i>%</i>		<i>%</i>		<i>%</i>
	<i>Shares</i>		<i>Shares</i>		<i>Shares</i>		<i>Shares</i>	
<i>Landmark Profits</i>	44,547,384	6.07	4,454,738	6.07	93,549,498	6.07	93,549,498	6.07
<i>Goodco</i>								
– Shares	173,229,147	23.60	17,322,914	23.60	363,781,194	23.60	363,781,194	23.60
– Ordinary Shares converted from 2014 Convertible Note	101,176,470	13.78	10,117,647	13.78	212,470,587	13.78	212,470,587	13.78
Sub-total	318,953,001	43.45	31,895,299	43.45	669,801,279	43.45	669,801,279	43.45
<i>Public</i>								
Holder of 2015 Convertible Note	101,176,470	13.78	10,117,647	13.78	212,470,587	13.78	212,470,587	13.78
Underwriter	—	—	—	—	—	—	627,884,900	40.73
Other public Shareholders	313,942,440	42.77	31,394,245*	42.77	659,279,145	42.77	31,394,245	2.04
Total	734,071,911	100.00	73,407,191	100.00	1,541,551,011	100.00	1,541,551,011	100.00

* including fractions of 1 Rights Shares

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 wish to take up the Rights Shares, they would have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits.

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For Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. As illustrated in the above tables, assuming that only Landmark Profits and Goodco have subscribed the Rights Shares, the percentage of shareholding of other public shareholders will be reduced from approximately 59.04% as at the Latest Practicable Date to approximately 2.81% upon completion of the Rights Issue under the aforesaid scenario (i), and from approximately 42.77% as at the Latest Practicable Date to approximately 2.04% upon completion of the Rights Issue under the aforesaid scenario (ii).

As shown in Table 3 to the Circular, assuming that none of the Qualifying Shareholders has subscribed for the series of share placements and corporate exercises (including the Rights Issue) of the Company in the past 24 months immediately preceding to the date of the Circular (details of which are set out in Table 4 to the Circular), the percentage of shareholding of the public Shareholders will be reduced from approximately 56.474% as at 1 September 2013 to approximately 0.001% after the Rights Issue.

Our view

We are aware of the cumulative potential dilution effect as a result of the Right Issues, and from the fund raising activities in the past 24 months immediately preceding the Latest Practicable Date, however, we consider that the foregoing should be balanced against the fact that:

- (i) the nature of the Group's business, in particular the investment securities and loan financing business, of which cash is essential for it to carry out its investment decision in a timely manner;
- (ii) the Rights Issue would strengthen the Group's capital base so as to allow the Group to grasp suitable business opportunities with immediately available fund should appropriate change arise;
- (iii) the discount represented by the Subscription Price to the theoretical ex-rights price falls within the range of the TEP Market Range;
- (iv) the relevant resolutions in respect of the previous fund raising activities have been passed by the then Shareholders at the relevant general meetings of the Company;
- (v) 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;

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- (vi) the Qualifying Shareholders are given an opportunity to elect whether accept the Rights Issue or not;
- (vii) the Qualifying Shareholders, who do not wish to take up the Rights Shares, have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits;
- (viii) 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
- (ix) 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 and legal and professional fee as discussed in the paragraph headed “B.1.2. Financing Alternatives”, which further deteriorate the financial performance of the Group which has already recorded net losses in the financial years ended 31 March 2013 and 2014. 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 from the fund raising activities in the past 24 months 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, and the economic benefits that the Qualifying Shareholders who do not wish to subscribe for their pro-rata Rights Shares could get from selling their nil-paid rights of subscription, the Rights Issue which is expected to raise funds for the intended uses as set out in the paragraph headed “B.1.1. Reasons for the Rights Issue and the use of proceeds” is beneficial to the Group’s long-term development and necessary for the Group to take up potential investment opportunities due to its business nature. Hence, the Rights Issue is in the interest of the Shareholders and the Company as a whole.

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B.2.5. Possible financial effects of the Rights Issue

Cash resources

According to the Annual Report 2015, the Company had bank balances and cash of approximately HK\$204 million, of which approximately RMB52 million is tied up in the PRC as investment capital as at 31 March 2015. Upon completion of the Rights Issue, it is expected that the Company can raise a net proceed of approximately HK\$326 million for the purchase of the Sale Shares and other general corporate purposes, and its bank balances and cash would increase by approximately HK\$274 million from approximately HK\$204 million to approximately HK\$478 million.

Gearing ratio

According to the Annual Report 2015, the total borrowings and total equity of the Company as at 31 March 2015 was approximately HK\$305.1 million and HK\$1,562.6 million respectively. Accordingly, the gearing ratio (being the ratio of debt to total capital) of the Company was 19.5%. Base on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the Rights Issue is expected increase the total equity by approximately HK\$504.7 million from approximately HK\$1,562.6 million to approximately HK\$2,067.3 million while the total borrowing remains unchanged, which shall provide additional liquidity in the form of equity to the Company, therefore enhancing the financial position of the Company.

Our view

Based on the foregoing, we consider that the Rights Issue and the purchase of the Sale Shares, taken together, will not have a material impact on the Group's debt and equity as the Company is not raising debt financing to complete the transaction while the Consideration is equivalent to the value of the Properties Group.

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RECOMMENDATION

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

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

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

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

The published audited consolidated financial statements of the Group for the years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the year ended 31 March 2013, 2014 and 2015, which can be accessed on the website of the Company (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

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

Overall

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

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

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

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

Geographical analysis of turnover

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

(i) Garment sourcing and exporting businesses

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

(ii) Property investments

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

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

(iii) Investment in securities

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

Liquidity and financial resources

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

Capital structure

- (i) On 12 June 2012, the Company completed the placing of 97,470,000 new shares to not less than six places at a placing price of HK\$0.141 per share. The Company raised HK\$13,606,000 (net of expenses).
- (ii) On 31 July 2012, the Company completed the placing of 114,700,000 new shares to not less than six places at a placing price of HK\$0.106 per share. The Company raised HK\$12,037,000 (net of expenses).
- (iii) On 3 October 2012, the Company completed the raising of HK\$29,229,000 (net of expenses) by way of rights issue of 381,428,337 rights shares at the subscription price of HK\$0.077 per rights share on the basis of 1 rights share for every 2 shares held.
- (iv) On 10 December 2012, the Company completed the capital reorganization, among other things, to consolidate every 20 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$0.20 each; and on 11 January 2013, completed the raising of HK\$113,875,000 (net of expenses) by way of the rights issue of 286,071,250 rights shares at a subscription price of HK\$0.40 per rights share on the basis of 5 rights shares for every one share held.
- (v) On 18 February 2013, the Company completed the placing of 68,656,000 new shares to not less than six places at a placing price of HK\$0.44 per share. The Company raised HK\$29,906,000 (net of expenses).

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

Charge on assets

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

Material acquisitions and disposals

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

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

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

Employees

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

Prospects

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

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

For the property investment, although the newly launched tax measures on residential flats to buyers in Hong Kong will inevitably cause adverse impact on the residential property market in short run, the underlying housing demand is anticipated to remain strong due to the continuing demographic development, low mortgage rates and limited supply of new units. To better the position to cope with the uncertainties on global economy and changing local policy, the Group will continue seeking opportunities in the acquisition of properties in good locations, keep on revising and adjusting development plans, marketing strategies to tackle the changes in the market conditions. The Group expected that revenue and contribution from property investment segment would continue to grow and become one of the Group's major recurring and reliable income sources.

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

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

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

Overall

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

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

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

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

Geographical analysis of turnover

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

(i) Garment sourcing and export businesses

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

(ii) Property investments

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

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

(iii) Investment in securities

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

Liquidity and financial resources

As at 31 March 2014, total assets of the Group amounted to HK\$1,389,502,000 (2013: HK\$1,003,979,000). In terms of financial resources as at 31 March 2014, the Group's total bank balances and cash was HK\$589,458,000 (2013: HK\$277,411,000), of which, approximately RMB61 million (equivalent to approximately HK\$75 million) was tied up in the PRC as investment capital.

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

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

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

Fund raising

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

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

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

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

Details of Convertible Note

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

Charge on assets

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

Material acquisitions and disposals

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

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

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

Changes in fair value of investment properties

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

Finance costs

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

Employees

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

Events after the reporting period

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

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

- (iii) Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the Convertible Note has been adjusted from HK\$0.68 per share to HK\$0.66 per share. Accordingly, 121,212,121 shares shall be issued by the Company to Goodco

Development Limited upon conversion of the Convertible Note in the aggregate principal amount of HK\$80,000,000 in full at the prevailing conversion price of HK\$0.66 per share.

Prospects

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

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

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

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

For the year ended 31 March 2015 as compared to the year ended 31 March 2014

For the year ended 31 March 2015, the Group recorded a turnover of HK\$192,489,000, representing an increase of HK\$35,549,000 or 22.7% from HK\$156,940,000 for the year 2014.

Profit attributable to owners of the Company for the year ended 31 March 2015 amounted to HK\$31,086,000 (2014: loss of HK\$2,541,000). The gain was mainly attributable to the gain on fair value changes of investments held for trading of approximately HK\$40 million.

The basic earnings per share for the year ended 31 March 2015 was HK\$2.757 (2014: restated basic loss per share of HK\$2.300).

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: nil).

Management Discussion and Analysis

Business Review

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

Geographical Analysis of Turnover

During the year, the turnover from garment sourcing and export businesses was mainly derived from customers in the United States (“US”). Rental income from the investment properties were derived from properties located in Hong Kong and the People’s Republic of China (“PRC”).

(i) Garment Sourcing and Export Businesses

For the year ended 31 March 2015, this segment recorded a turnover of HK\$172,082,000 (2014: HK\$142,138,000) representing 21.1% increase comparing with year 2014. Cost of sales for the year amounted to HK\$155,172,000 (2014: HK\$126,790,000). The loss of HK\$3,660,000 (2014: HK\$4,908,000) was mainly due to the increasing sourcing and labour costs.

(ii) Property Investment

Turnover from the property investment segment increased by 38.3% to HK\$19,256,000 for the year ended 31 March 2015 (2014: HK\$13,927,000) of which HK\$11,484,000 and HK\$7,772,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover is primarily attributed to the completion of construction of investment properties in Huzhou, the PRC, 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.

On 30 April 2014, Main Lucky Enterprises Limited, a wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated at the ground floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000. This transaction was approved by the shareholders in the special general meeting held on 18 June 2014 and the completion of sale and purchase took place on 20 August 2014.

The Group has 8 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 89,229 sq.m. in Huzhou, PRC.

(iii) Property Development

On 5 September 2014, the Company and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International Holdings Limited, entered into a sale and purchase agreement in relation to the sale and purchase of the sale share of Kingbest Capital Holdings Limited (as supplemented by an agreement entered into on 15 September 2014 by the Company and Easyknit Properties Holdings Limited, whereby the Company will indirectly acquire the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong and the sale loan at a consideration of HK\$340 million). This transaction was approved by the independent shareholders in the special general meeting held on 20 October 2014 and the completion of sale and purchase took place on 21 November 2014.

On 30 October 2014, Land Bloom Holdings Limited, a wholly owned subsidiary of the Company, entered into five provisional sale and purchase agreements with independent third parties to acquire the 8 properties situated at No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong at an aggregate consideration and other related expenses of HK\$169,500,000. This transaction was approved by the shareholders in the special general meeting held on 12 January 2015 and the completion of sale and purchase took place on 15 January 2015.

The Group planned to redevelop No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong (the “Inverness Road Project”). The general building plan to redevelop the Inverness Road Project has been submitted to Buildings Department in January 2015. The demolition works at No. 14 and 16 Inverness Road has been completed and the demolition works at No. 18 and 20 Inverness Road has also commenced in May 2015.

On 18 March 2015, Chancemore Limited, a wholly owned subsidiary of the Company, entered into ten provisional sale and purchase agreements with independent third parties to acquire ten property units situated at 1st floor, 2nd floor, 3rd floor, 4th floor; 5th floor and the roof of No. 11 and 13 Matheson Street, Causeway Bay, Hong Kong at an aggregate consideration and the related expenses of HK\$183,000,000. This transaction was approved by the shareholders in the special general meeting held on 11 May 2015 and the completion of sale and purchase took place on 17 June 2015.

(iv) Investment in Securities

The Group has maintained a portfolio of listed equity securities in Hong Kong with available-for-sale investments and investments held for trading. For the year ended 31 March 2015, this segment has recorded a gain of HK\$43,853,000 (2014: loss of HK\$1,738,000).

Liquidity and Financial Resources

As at 31 March 2015, total assets of the Group amounted to HK\$1,919,181,000 (2014: HK\$1,389,502,000). In terms of financial resources as at 31 March 2015, the Group's total bank balances and cash was HK\$204,234,000 (2014: HK\$589,458,000), of which, approximately RMB52 million (equivalent to approximately HK\$64 million) was tied up in the PRC as investment capital.

As at 31 March 2015, our capital base has been strengthened as a result of an aggregate net proceeds of approximately HK\$357,600,000 raised through the completion of 2 placings of new shares of approximately HK\$22,500,000 and approximately HK\$23,100,000 on 18 June 2014 and 22 August 2014 respectively; and by the completion of issuing rights shares of approximately HK\$312,000,000 on 14 November 2014. As at the date of this report, our capital base has been further strengthened as a result of a net proceeds of approximately HK\$326,000,000 raised through the completion of issuing rights shares on 22 April 2015.

As at 31 March 2015, the Group has total bank borrowings of HK\$293,925,000 (2014: HK\$161,902,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.19 (2014: 0.14). As at 31 March 2015, the Group's current ratio was 5.4 (2014: 19.7).

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

Fund Raising

- (i) On 6 June 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 65,200,000 placing shares to independent investors at a placing price of HK\$0.35 per share.

The placing was completed on 18 June 2014 and the entire 65,200,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$22,500,000 and intended to be utilised as the general working capital. As at the date of this report, the same has been fully deployed as general working capital.

- (ii) On 11 August 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 78,000,000 placing shares to independent investors at a placing price of HK\$0.30 per share.

The placing was completed on 22 August 2014 and the entire 78,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$23,100,000 and intended to be utilised as the general working capital. As at the date of this report, the same has been fully deployed as general working capital.

- (iii) On 5 September 2014, the Board proposed, upon completion of the First Capital Reorganisation, to raise a net proceeds of approximately HK\$312,000,000 by way of the rights issue of 450,132,472 rights shares at a subscription price of HK\$0.70 per rights share on the basis of eight rights shares for every one adjusted share held on the record date (the “First Rights Issue”).

Independent shareholders’ approval for the First Rights Issue has been obtained at the special general meeting of the Company held on 20 October 2014 and the First Rights Issue has become unconditional on 14 November 2014. The dealings of fully paid rights shares has been commenced on 20 November 2014. Further details of the First Rights Issue are set out in the Company’s prospectus dated 27 October 2014.

The net proceeds of the First Rights Issue of approximately HK\$310 million has been fully utilized for the acquisition of No. 14 and 16 Inverness Road.

- (iv) On 2 February 2015, the Board proposed, upon completion of the Second Capital Reorganisation, to raise a net proceeds of approximately HK\$326,000,000 by way of the rights issue of 506,399,020 rights shares

at a subscription price of HK\$0.65 per rights share on the basis of twenty rights shares for every one adjusted share held on the record date (the “Second Rights Issue”).

Independent shareholders’ approval for the Second Rights Issue has been obtained at the special general meeting of the Company held on 24 March 2015 and the Second Rights Issue has become unconditional on 22 April 2015. The dealings of fully paid rights shares has been commenced on 27 April 2015. Further details of the Second Rights Issue are set out in the Company’s prospectus dated 1 April 2015.

The net proceeds of the Second Rights Issue is 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. As at the date of this report, approximately HK\$242,000 has been utilised in Inverness Road Project and HK\$66,000,000 has been utilized as general corporate purposes.

As at 31 March 2015, the total number of issued ordinary shares of the Company was 25,319,951 shares (2014: 296,595,900 shares).

Details of 2014 Convertible Note

On 3 April 2014 and 29 August 2014, the conversion rights attaching to the convertible note (the “2014 Convertible Note”) have been partially exercised for HK\$20,000,000 and HK\$60,000,000 respectively, and a total of 122,869,707 conversion shares were issued upon conversion.

Pursuant to the adjustment provisions in the terms and conditions of the 2014 Convertible Note, (i) adjustment has been made to the conversion price of the 2014 Convertible Note from HK\$0.68 per share to HK\$0.66 per share with effect from 18 June 2014 as a result of the completion of the placing of 65,200,000 placing shares on 18 June 2014; (ii) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK\$0.66 per share to HK\$0.642 per share with effect from 22 August 2014 as a result of the completion of the placing of 78,000,000 placing shares on 22 August 2014; (iii) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK\$0.642 per share to HK\$2.498 per share with effect from 25 October 2014 as a result of the First Capital Reorganisation and the First Rights Issue; and (iv) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK\$2.498 per share to HK\$10.65 per share with effect from 31 March 2015 as a result of the Second Capital Reorganisation and the Second Rights Issue.

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the 2014 Convertible Note	:	Goodco Development Limited
Outstanding principal amount as at the date of this report	:	HK\$20,000,000
Issue date	:	27 March 2014
Maturity date	:	27 March 2019
Conversion price as at the date of this report	:	HK\$10.65 (subject to adjustment)

Goodco Development Limited was interested in 173,229,147 shares of the Company, representing approximately 32.58% of the issued share capital of the Company as at the date of this report. 1,877,934 shares shall be issued by the Company to Goodco Development Limited upon conversion of the 2014 Convertible Note in the aggregate principal amount of HK\$20,000,000 in full at the prevailing conversion price of HK\$10.65 per share.

Charge on Assets

As at 31 March 2015, the Group had bank loans amounting to HK\$293,925,000 (2014: HK\$161,902,000) which were secured by the investment properties and properties held for development for sale of the Group with an aggregate net book value of HK\$713,027,000 (2014: HK\$372,000,000).

Material Acquisitions and Disposals

On 5 September 2014, the Company and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International Holdings Limited, entered into a sale and purchase agreement in relation to the sale and purchase of the sale share of Kingbest Capital Holdings Limited (as supplemented by an agreement entered into on 15 September 2014 by the Company and Easyknit Properties Holdings Limited, whereby the Company will indirectly acquire the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong and the sale loan at a consideration of HK\$340 million). The independent shareholders' approval of the resolution relating to the acquisition has been obtained in the special general meeting of the Company held on 20 October 2014 and the acquisition has been completed on 21 November 2014. Upon the completion, Kingbest Capital Holdings Limited becomes a directly held wholly owned subsidiary of the Company.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2015.

Exposure on Foreign Exchange Fluctuations

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2015 (2014: nil).

Capital Expenditure and Capital Commitments

During the year under review, the Group spent approximately HK\$183,000 (2014: HK\$551,000) on the acquisition of property, plant and equipment, and spent approximately HK\$291,619,000 (2014: HK\$28,410,000) on addition of investment properties.

As at 31 March 2015, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$764,000 (2014: HK\$14,311,000).

Changes in Fair Value of Investment Properties

During the year under review, the loss on changes in fair value of investment properties was HK\$8,155,000 (2014: loss of HK\$660,000).

Finance Costs

Finance costs was HK\$6,541,000, increased by HK\$1,964,000 or 42.9% for the year from HK\$4,577,000 in 2014.

Employees

As at 31 March 2015, the Group had 39 employees (2014: 38). Staff costs (including directors' emoluments) amounted to HK\$15,982,000 for the year under review (2014: HK\$15,107,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The

Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

Events After the Reporting Period

- (i) On 26 May 2015, Cherry Sky Investments Limited ("Cherry Sky"), as lender, a wholly owned subsidiary of the Company, entered into a facility letter with the borrower, pursuant to which Cherry Sky has conditionally agreed to lend an interest bearing loan upto HK\$70,000,000 (the "Loan") to the borrower for a period of 12 months from the drawdown date. The Loan is secured by a share charge and personal guarantee. The Loan is used by the borrower exclusively for repayment of its certain indebtedness and the balance for lending to the guarantor.
- (ii) On 12 June 2015, the Company completed the issue of a 2% coupon rate convertible note (the "2015 Convertible Note") in an aggregate principal amount of HK\$86,000,000 with the maturity date on 12 June 2017 to an independent third party. The 2015 Convertible Note is convertible into ordinary shares of the Company at any time within a period of 2 years following the date of issue at the initial conversion price of HK\$0.85 per conversion share (subject to adjustment). The net proceeds of approximately HK\$85,900,000 raised from the issue of the 2015 Convertible Note is intended to be applied for general working capital of the Group.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Capital Reorganisation, the S&P Agreement(s) and the Rights Issue and the present available financial resources, its expected internally generated funds and the present available banking facilities of the Group, the Group will have sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 31 July 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\$291.9 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\$291.6 million and interest payable of approximately HK\$0.3 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 July 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 annual report of the Company for the year ended 31 March 2015, 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 2015/16, the US is showing signs of recovery. And the GDP growth target of China in 2015 is at a slower but intended higher quality growth, which is at 7%. But the changing expectation on possible rate hikes in the US as well as ongoing search for a consensus solution on sovereign debt crisis creating crisis of confidence results in uncertainties in the macro-economic environments. Nevertheless, the loose monetary policies adopted by China, Japan and Euro-zone can help stabilize the global economy.

Persistent property cooling measures continuously affects the local property market. Last year, home sales activities has heated up upon the further adjustments to the doubled stamp duty measures made by the government. But tightening measures on the mortgage requirements has been launched in February 2015 in order to curb the home prices. The market expects that there will be short term impacts on the small-to-medium end of the secondary residential property market while the new home sector will not be affected. The Group remains confident and optimistic towards the property market.

For the Matheson Street project, the Company shall consider to acquire the property located at the ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong by commencing the negotiations with the owner at the time when the Directors think fit. For the Inverness Road Project, the redevelopment works has commenced. It was expected that the site will be developed as residential properties in about 4 years.

The garment industry is still situated at a disadvantaged competitive position because of the rising prices of raw materials and the growing domestic labor costs. During the last year, the Group successfully raised its turnover with its major customers, but the cost of sales still remained at a relatively high level. The Group would use its best endeavours to strengthen its marketing strategies so as to maintain our competitive edge. The turnover from this business segment is expected to remain stable in 2015/16.

Looking forward to 2015/16, the Group shall emphasis on the property development business and to explore further quality investment opportunities to enhance its shareholders wealth.

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 2015, the date to which the latest published audited financial statements of the Company were made up.



Suite 2305, 23rd Floor
Convention Plaza Office Tower
1 Harbour Road, Wanchai
Hong Kong

14 September 2015

The Board of Directors
Easyknit Enterprises Holdings Limited
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
HONG KONG

Dear Sirs

We set out below our report on the financial information relating to Grow Well Profits Limited (the “Target Company”) including the statements of financial position as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015 and of its statement of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 March 2013, 31 March 2014, 31 March 2015 and three months ended 30 June 2015 (the “Relevant Periods”) together with the explanatory notes thereto (the “Financial Information”) for inclusion in Appendix II to the circular of Easyknit Enterprises Holdings Limited (the “Company”) dated 14 September 2015 in connection with the Company’s proposed very substantial acquisition and connected transaction of the entire issued share capital of the Target Company (the “Circular”).

The Target Company was incorporated in the British Virgin Islands (“BVI”) on 20 April 1994 with limited liability and is principally engaged in property holding. The registered office of the Target Company is located at P.O Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands.

No statutory audited financial statements of the Target Company for the Relevant Periods have been prepared as there are no such statutory audit requirements under the relevant rules and regulations in the BVI. For the purpose of this report, the directors of the Target Company have prepared the financial statements for the Relevant Period in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”). We have undertaken an independent audit of the financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods set out in this report has been prepared based from the Underlying Financial Statements for the purpose of preparing a report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

DIRECTORS' RESPONSIBILITY

The directors of the Target Company are responsible for the contents of the Circular including the preparation and presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the applicable disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Target Company determine is necessary to enable the preparation the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to compile the Financial Information set out in this report from the Underlying Financial Statements and to report our opinion to you.

We have examined the Underlying Financial Statements of the Target Company and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 June 2015.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, gives a true and fair view of the affairs of the Target Company as at 31 March 2013, 31 March 2014 and 31 March 2015 and 30 June 2015 and of its results and cash flows for the Relevant Periods in accordance with HKFRSs.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited comparative financial information of the Target Company prepared by the directors for the three months ended 30 June 2014 together with the notes thereon (the "Comparative Financial Information"), in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for preparation and presentation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
TURNOVER	8	3,749,220	3,633,220	3,479,038	896,511	861,600
Other income		111	8	7	2	2
Exchange gains (losses), net		1,608,737	(2,272,842)	(8,804,766)	1,279,457	1,200,334
Gain (loss) on changes in fair value of investment properties		1,874,610	—	(23,311,470)	—	—
Administrative expenses		<u>(809,444)</u>	<u>(1,466,590)</u>	<u>(1,322,186)</u>	<u>(229,743)</u>	<u>(166,984)</u>
Profit (loss) before taxation	9	6,423,234	(106,204)	(29,959,377)	1,946,227	1,894,952
Taxation	10	<u>(267,925)</u>	<u>(155,320)</u>	<u>(94,865)</u>	<u>31,051</u>	<u>(18,857)</u>
Profit (loss) for the Relevant Periods		6,155,309	(261,524)	(30,054,242)	1,977,278	1,876,095
Other comprehensive income (expense) <i>Item that will not be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation to presentation currency		<u>957,002</u>	<u>(1,442,090)</u>	<u>(3,588,477)</u>	<u>772,039</u>	<u>364,027</u>
Total comprehensive income for the Relevant Periods		<u>7,112,311</u>	<u>(1,703,614)</u>	<u>(33,642,719)</u>	<u>2,749,317</u>	<u>2,240,122</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
NON-CURRENT ASSETS						
Investment properties	11	175,076,005	171,400,580	136,043,635	173,351,490	137,558,785
CURRENT ASSETS						
Prepayments and deposits		181,340	251,674	244,369	397,319	164,727
Bank balances		2,393,118	4,441,526	6,096,723	5,119,375	6,838,990
		2,574,458	4,693,200	6,341,092	5,516,694	7,003,717
CURRENT LIABILITIES						
Accruals and rental deposits received		676,390	758,905	716,076	974,128	719,205
Tax payable		385,856	310,300	187,237	75,667	113,250
Amount due to ultimate holding company	12	107,843,634	107,983,606	108,083,164	108,028,103	108,091,675
		108,905,880	109,052,811	108,986,477	109,077,898	108,924,130
NET CURRENT LIABILITIES		(106,331,422)	(104,359,611)	(102,645,385)	(103,561,204)	(101,920,413)
NET ASSETS		68,744,583	67,040,969	33,398,250	69,790,286	35,638,372
CAPITAL AND RESERVES						
Share capital	13	8	8	8	8	8
Special reserve		5,986,225	5,986,225	5,986,225	5,986,225	5,986,225
Translation reserve		1,823,542	381,452	(3,207,025)	1,153,491	(2,842,998)
Retained earnings		60,934,808	60,673,284	30,619,042	62,650,562	32,495,137
SHAREHOLDERS' FUNDS		68,744,583	67,040,969	33,398,250	69,790,286	35,638,372

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Retained earnings <i>HK\$</i>	Special reserve <i>HK\$</i>	Translation reserve <i>HK\$</i>	Total <i>HK\$</i>
As at 1 April 2012	8	54,779,499	5,986,225	866,540	61,632,272
Total comprehensive income for the year	—	6,155,309	—	957,002	7,112,311
As at 31 March 2013	8	60,934,808	5,986,225	1,823,542	68,744,583
Total comprehensive expense for the year	—	(261,524)	—	(1,442,090)	(1,703,614)
As at 31 March 2014	8	60,673,284	5,986,225	381,452	67,040,969
Total comprehensive expense for the year	—	(30,054,242)	—	(3,588,477)	(33,642,719)
As at 31 March 2015	8	30,619,042	5,986,225	(3,207,025)	33,398,250
Total comprehensive income for the three months ended 30 June 2015	—	1,876,095	—	364,027	2,240,122
As at 30 June 2015	8	32,495,137	5,986,225	(2,842,998)	35,638,372
For the three months ended 30 June 2014 (unaudited)					
As at 1 April 2014	8	60,673,284	5,986,225	381,452	67,040,969
Total comprehensive income for the three months ended 30 June 2014	—	1,977,278	—	772,039	2,749,317
As at 30 June 2014	8	62,650,562	5,986,225	1,153,491	69,790,286

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit (loss) before taxation	9	6,423,234	(106,204)	(29,959,377)	1,946,227	1,894,952
Adjustments for :						
Interest income		(111)	(8)	(7)	(2)	(2)
Exchange differences from inter-company balance		(1,689,403)	2,263,567	8,325,618	(1,284,990)	(1,195,637)
(Gain) loss on changes in fair value of investment properties	11	(1,874,610)	—	23,311,470	—	—
Operating cash flows before movements in working capital		2,859,110	2,157,355	1,677,704	661,235	699,313
Decrease (increase) in prepayments and deposits		26,870	(74,450)	(12,911)	(142,136)	82,714
Increase (decrease) in accruals and rental deposits received		(14,659)	97,119	16,950	205,654	(4,867)
Overseas tax paid		(140,452)	(223,057)	(199,467)	(206,038)	(95,253)
Net cash generated from operating activities		2,730,869	1,956,967	1,482,276	518,715	681,907
CASH FLOWS FROM INVESTING ACTIVITY						
Interest received		111	8	7	2	2
Net cash flows from investing activity		111	8	7	2	2
CASH FLOWS FROM FINANCING ACTIVITY						
Advance from (repayment to) ultimate holding company		(2,144,383)	140,986	158,924	99,947	402
Net cash generated from (used in) financing activities		(2,144,383)	140,986	158,924	99,947	402
Net increase in cash and cash equivalents		586,597	2,097,961	1,641,207	618,664	682,311
Cash and cash equivalents at beginning of the Relevant Periods		1,773,872	2,393,118	4,441,526	4,441,526	6,096,723
Effect of foreign exchange rate changes		32,649	(49,553)	13,990	59,185	59,956
Cash and cash equivalents at end of the Relevant Periods, represented by bank balances		2,393,118	4,441,526	6,096,723	5,119,375	6,838,990

II. NOTES ON THE FINANCIAL INFORMATION**1. GENERAL**

The Target Company is a private limited company incorporated in the BVI. The Target Company's immediate holding company is Easyknit Properties Holdings Limited, a company incorporated in the BVI. The Target Company's ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Target Company is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Target Company is engaged in property holding.

The functional currency of the Target Company is Singapore Dollars ("SG\$") while the Financial Information is presented in Hong Kong Dollars ("HK\$") which is consistent with the presentation currency of the Financial Information of other companies incorporated in the Circular in connection with the Company's proposed acquisition of the entire issued share capital of the Target Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Target Company had given careful considerations to the future liquidity of the Target Company in light of the fact that as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015, the Target Company has current liabilities exceeded its current assets by approximately HK\$106,331,422, HK\$104,359,611, HK\$102,645,385 and HK\$103,561,204, respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and connected transaction, the directors of the Target Company are confident that the Target Company will be able to meet its financial obligations when they fall due in foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2014.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ³

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared under the historical cost basis except for investment properties, which are measured at fair value, and have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKSA 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Revenue recognition

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

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the Relevant Periods in which they are incurred.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the Relevant Period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the Relevant Period in which the item is derecognised.

Financial instruments

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

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

Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of the financial difficulties.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including rental deposits received and amounts due to group companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Impairment

At the end of each of the Relevant Periods, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Target Company as lessor

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

Foreign currencies

In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each of the Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was denominated. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Relevant Periods.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profits differs from profit before taxation as reported in the statement of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary difference.

Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the Relevant Periods

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Target Company's investment properties portfolios and concluded that while the Target Company's investment properties located in Singapore are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Company's deferred taxation arising from these investment properties located in Singapore, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted.

Changes in the management assessment could impact whether the Target Company rebuts the presumption to recover the investment properties measured under fair value model through sale and therefore future deferred tax charge or credit could be revised.

*Key sources of estimation uncertainty**Investment properties*

Some of the Target Company's assets are measured at fair value for financial reporting purposes. The Target Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Target Company's investment properties, the Target Company uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Target Company engages third party qualified valuers to perform the valuation of the Target Company's investment properties. At the end of each of the Relevant Periods, the management works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target Company will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Target Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to directors of the Target Company. Information about the valuation techniques and inputs used in determining the fair value of the Target Company's investment properties is disclosed in note 11.

6. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes amount due to ultimate holding company as disclosed in notes 12 respectively, cash and cash equivalents and equity attributable to owners of the Target Company.

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

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Financial assets					
Loans and receivables (including cash and cash equivalents)					
— Bank balances	2,393,118	4,441,526	6,096,723	5,119,375	6,838,990
Financial liabilities					
Amortised cost					
— Rental deposits received	626,390	600,975	565,670	818,690	571,970
— Amount due to ultimate holding company	107,843,634	107,983,606	108,083,164	108,028,103	108,091,675
	108,470,024	108,584,581	108,648,834	108,846,793	108,663,645

Financial risk management objectives and policies

The Target Company's major financial instruments include bank balances, rental deposits received and amount due to ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

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

Liquidity risk

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

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

Liquidity and interest rate risk table

	Weighted average effective interest rate	On demand <i>HK\$</i>	Three months to one year <i>HK\$</i>	Total undiscounted cash flows <i>HK\$</i>
<u>As at 30 June 2015</u>				
Non-derivative financial liabilities				
Rental deposits received	—	—	571,970	571,970
Amount due to ultimate holding company	—	108,091,675	—	108,091,675
		<u>108,091,675</u>	<u>571,970</u>	<u>108,663,645</u>
<u>As at 31 March 2015</u>				
Non-derivative financial liabilities				
Rental deposits received	—	—	565,670	565,670
Amount due to ultimate holding company	—	108,083,164	—	108,083,164
		<u>108,083,164</u>	<u>565,670</u>	<u>108,648,834</u>
<u>As at 31 March 2014</u>				
Non-derivative financial liabilities				
Rental deposits received	—	—	600,675	600,675
Amount due to ultimate holding company	—	107,983,606	—	107,983,606
		<u>107,983,606</u>	<u>600,675</u>	<u>108,584,281</u>
<u>As at 31 March 2013</u>				
Non-derivative financial liabilities				
Rental deposits received	—	—	626,390	626,390
Amount due to ultimate holding company	—	107,843,634	—	107,843,634
		<u>107,843,634</u>	<u>626,390</u>	<u>108,470,024</u>
<u>As at 30 June 2014 (unaudited)</u>				
Non-derivative financial liabilities				
Rental deposits received	—	—	818,690	818,690
Amount due to ultimate holding company	—	108,028,103	—	108,028,103
		<u>108,028,103</u>	<u>818,690</u>	<u>108,846,793</u>

Fair value

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

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

8. TURNOVER

Turnover represents rental income received or receivable from property leasing in Singapore during the Relevant Periods.

9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 March			Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Profit (loss) before taxation for the Relevant Periods has been arrived at after charging:					
Auditor's remuneration	49,768	49,954	50,998	—	—
Directors' remuneration	—	—	—	—	—
and after crediting:					
Gross rental income from investment properties	3,749,220	3,633,220	3,479,038	896,511	861,600
Less: Direct operating expenses from investment properties that generated rental income	(554,420)	(547,481)	(616,054)	(156,818)	(152,612)
	<u>3,194,800</u>	<u>3,085,739</u>	<u>2,862,984</u>	<u>739,693</u>	<u>708,988</u>
Interest income	<u>111</u>	<u>8</u>	<u>7</u>	<u>2</u>	<u>2</u>

10. TAXATION

Singapore profits tax has been provided at the rate of 17% (2014: 17%; 2013: 17%) on the estimated assessable profits arising in Singapore during the Relevant Periods.

	Year ended 31 March			Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Charge for the Relevant Periods	329,931	250,628	179,917	56,803	59,162
Over provision for prior years	(62,006)	(95,308)	(85,052)	(87,854)	(40,305)
Tax expenses (credit) for the Relevant Periods	<u>267,925</u>	<u>155,320</u>	<u>94,865</u>	<u>(31,051)</u>	<u>18,857</u>

Taxation for the Relevant Periods can be reconciled to the results per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Profit (loss) before taxation	<u>6,423,234</u>	<u>(106,204)</u>	<u>(29,959,377)</u>	<u>1,946,227</u>	<u>1,894,952</u>
Tax charge (credit) of Singapore					
Profits Tax at 17% (2014: 17%; 2013: 17%)	1,091,949	(18,055)	(5,093,094)	330,859	322,142
Tax effect of income not taxable for tax purposes	(761,383)	(117,203)	(185,874)	(274,056)	(263,100)
Tax effect of expenses not deductible for tax purposes	—	386,383	5,459,760	—	—
Over provision for prior years	(62,006)	(95,308)	(85,052)	(87,854)	(40,305)
Others	<u>(635)</u>	<u>(497)</u>	<u>(875)</u>	<u>—</u>	<u>120</u>
Tax expenses (credit) for the Relevant Periods	<u>267,925</u>	<u>155,320</u>	<u>94,865</u>	<u>(31,051)</u>	<u>18,857</u>

11. INVESTMENT PROPERTIES

HK\$

FAIR VALUE

As at 1 April 2012	170,589,440
Increase in fair value recognised in profit or loss	1,874,610
Exchange realignment	<u>2,611,955</u>
As at 31 March 2013	175,076,005
Exchange realignment	<u>(3,675,425)</u>
As at 31 March 2014	171,400,580
Decrease in fair value recognised in profit or loss	(23,311,470)
Exchange realignment	<u>(12,045,475)</u>
As at 31 March 2015	136,043,635
Exchange realignment	<u>1,515,150</u>
As at 30 June 2015	<u>137,558,785</u>
FAIR VALUE (unaudited)	
As at 1 April 2014	171,400,580
Exchange realignment	<u>1,950,910</u>
As at 30 June 2014	<u>173,351,490</u>

The fair values of the Target Company's investment properties at 31 March 2013, 2014 and 2015 and at 30 June 2015 were arrived at on the basis of valuation carried out at those dates by DTZ Debenham Tie Leung (SEA) Pte Ltd, a firm of independent qualified professional property valuers not connected with the Target Company.

All of the Target Company's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises properties situated on:

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Land in Singapore under medium-term lease	<u>175,076,005</u>	<u>171,400,580</u>	<u>136,043,635</u>	<u>173,351,490</u>	<u>137,558,785</u>

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held : Residential units in Singapore
by the Target Company

Fair value	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Land in Singapore under medium-term lease	<u>175,076,005</u>	<u>171,400,580</u>	<u>136,043,635</u>	<u>173,351,490</u>	<u>137,558,785</u>

Fair value hierarchy : Level 2

Valuation techniques and key inputs : Direct comparison method – based on market observable transactions of similar properties

Significant unobservable inputs : N/A

Sensitivity : N/A

12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

The Target Company was incorporated in the BVI on 20 April 1994 with authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. One ordinary share of US\$1.00 (equivalent to HK\$8) each of the Target Company was issued and fully paid up at par upon incorporation.

14. OPERATING LEASE ARRANGEMENTS

At the end of each of the Relevant Periods, the Target Company had contracted with the tenants for the following future minimum lease payments in respect of the investment properties under non-cancellable operating lease:

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Within one year	2,267,532	3,241,832	2,104,292	2,881,790	3,042,880
In the second to fifth year inclusive	830,876	1,030,243	362,538	527,187	1,373,243
	<u>3,098,408</u>	<u>4,272,075</u>	<u>2,466,830</u>	<u>3,408,977</u>	<u>4,416,123</u>

Under the leases entered into by the Target Company, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2015, the properties held have committed tenants for a term of two years (2014: two years and 2013: two years). At 30 June 2015, the properties held have committed tenants for a term of two years (30 June 2014: two years).

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 30 June 2015.

16. EVENT AFTER THE RELEVANT PERIODS

On 6 August 2015, the immediate shareholder of the Target Company, Easyknit Properties Holdings Limited (“EPHL”), has entered into a sales and purchase agreement and the supplemental agreement with Power Bright Investments Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, that the Purchaser conditionally agreed to acquire and EPHL has conditionally agreed to sell the entire issued capital of the Target Company and amount due to Easyknit International Holdings Limited upon the terms contained therein. Upon completion of the proposed very substantial acquisition and connected transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Yours faithfully,

Cosmos CPA Limited

Certified Public Accountants

NG Lai Man Carmen

Practising Certificate Number P03518

Hong Kong

14 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS**Grow Well Profits Limited**

The following is the management discussion and analysis of the Target Company for the three years ended 31 March 2013, 2014 and 2015 and three months ended 30 June 2014 and 2015.

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

Property investments

Turnover from the property investments segment decreased by 3.1% to HK\$3,633,220 for the year ended 31 March 2014 as compared to 2013 (2013: HK\$3,749,220).

Liquidity and financial resources

As at 31 March 2014, the Target Company had bank balances amounting to HK\$4,441,526 (2013: HK\$2,393,118). As at 31 March 2014, the Target Company's current ratio was 0.04 (2013: approximately 0.02) which was calculated on the basis of current assets of HK\$4,693,200 (2013: HK\$2,574,458) to current liabilities of HK\$109,052,811 (2013: HK\$108,905,880). During the year ended 31 March 2014, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$107,983,606 as at 31 March 2014 (2013: HK\$107,843,634).

Capital structure

During the year ended 31 March 2014, there was no change to the share capital of the Target Company.

As at 31 March 2014, the total number of issued ordinary shares of the Target Company was 1 (2013: 1 share).

Charge on assets

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

Material acquisitions and disposals

During the year ended 31 March 2014, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

For the year ended 31 March 2015 as compared to the year ended 31 March 2014

Property investments

Turnover from the property investments segment decreased by 4.2% to HK\$3,479,038 for the year ended 31 March 2015 (2014: HK\$3,633,220).

Liquidity and financial resources

As at 31 March 2015, total assets of the Target Company amounted to HK\$142,384,727 (2014: HK\$176,093,780). In terms of financial resources as at 31 March 2015, the Target Company's total bank balances was HK\$6,096,723 (2014: HK\$4,441,526).

The Target Company's current ratio was approximately 0.06 as at 31 March 2015 (2014: approximately 0.04) which was calculated on the basis of current assets of HK\$6,341,092 (2014: HK\$4,693,200) to current liabilities of HK\$108,986,477 (2014: HK\$109,052,811). During the year, the Target Company financed its operations primarily through loans from ultimate holding company.

The Target Company had an amount due to the ultimate holding company of approximately HK\$108,083,164 as at 31 March 2015 (2014: HK\$107,983,606).

Charge on assets

The Target Company did not have any charges on assets as at 31 March 2015.

Material acquisitions and disposals

During the year ended 31 March 2015, the Target Company has no material acquisitions and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 31 March 2015 (2014: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2015, the Target Company did not have any capital expenditure or capital commitments.

For the three months ended 30 June 2015 as compared to three months ended 30 June 2014

Property investments

Turnover from the property investments segment decreased by 3.9% to HK\$861,600 for the three months ended 30 June 2015 as compared to 2014 (2014: HK\$896,511).

Liquidity and financial resources

As at 30 June 2015, the Target Company had bank balances amounting to HK\$6,838,990 (2014: HK\$5,119,375). As at 30 June 2015, the Target Company's current ratio was 0.06 (2014: approximately 0.05) which was calculated on the basis of current assets of HK\$7,003,717 (2014: HK\$5,516,694) to current liabilities of HK\$108,924,130 (2014: HK\$109,077,898). During the three months ended 30 June 2015, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$108,091,675 as at 30 June 2015 (2014: HK\$108,028,103).

Capital structure

During the three months ended 30 June 2015, there was no change to the share capital of the Target Company.

As at 30 June 2015, the total number of issued ordinary shares of the Target Company was 1 (2014: 1 share).

Charge on assets

The Target Company did not have any charges on assets as at 30 June 2015.

Material acquisitions and disposals

During the three months ended 30 June 2015, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 30 June 2015 (2014: nil).

Capital expenditure and capital commitments

During the three months ended 30 June 2015, the Target Company did not have any capital expenditure or capital commitments.



Suite 2305, 23rd Floor
Convention Plaza Office Tower
1 Harbour Road, Wanchai
Hong Kong

14 September 2015

The Board of Directors
Easyknit Enterprises Holdings Limited
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
HONG KONG

Dear Sirs

We set out below our report on the financial information relating to Supertop Investment Limited (the “Target Company”) and its subsidiary, Goldchamp International Limited (“GCI”) (collectively referred to as the “Target Group”) including the consolidated statements of financial position of the Target Group as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015 and of its consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 March 2013, 31 March 2014, 31 March 2015 and three months ended 30 June 2015 (the “Relevant Periods”) together with the explanatory notes thereto (the “Financial Information”) for inclusion in Appendix II to the circular of Easyknit Enterprises Holdings Limited (the “Company”) dated 14 September 2015 in connection with the Company’s proposed very substantial acquisition and connected transaction of the entire issued share capital of the Target Company (the “Circular”).

The Target Company was incorporated in the British Virgin Islands (“BVI”) on 2 January 2002 with limited liability and is principally engaged in investment holding. The registered office of the Target Company is located at Overseas Management Company Trust (BVI) Ltd., P.O. Box 3152, Road Town Tortola, British Virgin Islands. No statutory audited financial statements of the Target Company for the Relevant Periods have been prepared as there are no such statutory audit requirements under the relevant rules and regulations in the BVI.

As at the date of this report, the Target Company has a wholly-owned subsidiary of GCI which was incorporated in Hong Kong on 21 July 1999 with limited liability and is principally engaged in property holding. The registered office of GCI is located at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The statutory audited financial statements of GCI have been audited by Deloitte Touche Tohmatsu for each of the three years ended 31 March 2013, 31 March 2014 and 31 March 2015. No statutory audited financial statements of GCI have been prepared for the three months ended 30 June 2015 as there are no such statutory audit requirements under the relevant rules and regulation in Hong Kong.

For the purpose of this report, the directors of the Target Company have prepared the consolidated Financial Information of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared based from the Underlying Financial Statements for the purpose of preparing a report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

DIRECTORS’ RESPONSIBILITY

The directors of the Target Company are responsible for the contents of the Circular including the preparation and presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the applicable disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Target Company determine is necessary to enable the preparation the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to compile the Financial Information set out in this report from the Underlying Financial Statements and to report our opinion to you.

We have examined the Underlying Financial Statements of the Target Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. We have not audited any financial statements of the Target Company and GCI in respect of any period subsequent to 30 June 2015.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, gives a true and fair view of the affairs the Target Company and Target Group as at 31 March 2013, 31 March 2014 and 31 March 2015 and 30 June 2015 and of the Target Group's results and cash flows for the Relevant Periods in accordance with HKFRSs.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited comparative consolidated financial information of the Target Group prepared by the directors for the three months ended 30 June 2014 together with the notes thereon (the "Comparative Financial Information"), in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for preparation and presentation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2013	2014	2015	2014	2015
		HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER	8	1,049,179	1,253,339	1,520,265	369,000	405,000
Other income		40,640	3,579	5,556	276	—
Gain on changes in fair value of investment properties		5,870,000	1,970,000	2,510,000	—	3,420,000
Administrative expenses		<u>(396,435)</u>	<u>(618,325)</u>	<u>(443,817)</u>	<u>(72,306)</u>	<u>(81,987)</u>
Profit and total comprehensive income for the Relevant Periods	9	<u>6,563,384</u>	<u>2,608,593</u>	<u>3,592,004</u>	<u>296,970</u>	<u>3,743,013</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
NON-CURRENT ASSETS						
Investment properties	11	52,850,000	54,820,000	57,330,000	54,820,000	60,750,000
Property, plant and equipment	12	—	—	—	—	—
		<u>52,850,000</u>	<u>54,820,000</u>	<u>57,330,000</u>	<u>54,820,000</u>	<u>60,750,000</u>
CURRENT ASSETS						
Trade and other receivables	13	49,357	59,866	157,437	55,881	59,283
Amount due from ultimate holding company	14	31,755,520	32,780,050	33,894,581	33,054,580	34,409,110
Bank balance		629,495	322,451	311,682	331,607	112,521
		<u>32,434,372</u>	<u>33,162,367</u>	<u>34,363,700</u>	<u>33,442,068</u>	<u>34,580,914</u>
CURRENT LIABILITIES						
Other payables and accrued charge		72,113	65,832	86,537	68,296	65,095
Rental deposits received		107,000	218,000	302,000	218,000	252,000
Amount due to a fellow subsidiary	14	35,050	19,733	34,357	—	—
		<u>214,163</u>	<u>303,565</u>	<u>422,894</u>	<u>286,296</u>	<u>317,095</u>
NET CURRENT ASSETS		<u>32,220,209</u>	<u>32,858,802</u>	<u>33,940,806</u>	<u>33,155,772</u>	<u>34,263,819</u>
NET ASSETS		<u>85,070,209</u>	<u>87,678,802</u>	<u>91,270,806</u>	<u>87,975,772</u>	<u>95,013,819</u>
CAPITAL AND RESERVES						
Share capital	15	8	8	8	8	8
Retained earnings		85,070,201	87,678,794	91,270,798	87,975,764	95,013,811
SHAREHOLDERS' FUNDS		<u>85,070,209</u>	<u>87,678,802</u>	<u>91,270,806</u>	<u>87,975,772</u>	<u>95,013,819</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
As at 1 April 2012	8	78,506,817	78,506,825
Profit and total comprehensive income for the year	—	6,563,384	6,563,384
As at 31 March 2013	8	85,070,201	85,070,209
Profit and total comprehensive income for the year	—	2,608,593	2,608,593
As at 31 March 2014	8	87,678,794	87,678,802
Profit and total comprehensive income for the year	—	3,592,004	3,592,004
As at 31 March 2015	8	91,270,798	91,270,806
Profit and total comprehensive income for the three months ended 30 June 2015	—	3,743,013	3,743,013
As at 30 June 2015	<u>8</u>	<u>95,013,811</u>	<u>95,013,819</u>
For the three months ended 30 June 2014 (unaudited)			
As at 1 April 2014	8	87,678,794	87,678,802
Profit and total comprehensive income for the three months ended 30 June 2014	—	296,970	296,970
As at 30 June 2014	<u>8</u>	<u>87,975,764</u>	<u>87,975,772</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit for the Relevant Periods	9	6,563,384	2,608,593	3,592,004	296,970	3,743,013
Adjustments for:						
Interest income		(1,789)	(178)	(3,856)	(276)	—
Gain on changes in fair value of investment properties	11	(5,870,000)	(1,970,000)	(2,510,000)	—	(3,420,000)
Operating cash flows before movements in working capital		691,595	638,415	1,078,148	296,694	323,013
Decrease (increase) in trade and other receivables		(3,356)	(10,509)	(97,571)	3,985	98,154
Increase (decrease) in other payables and accrued charge		(8,470)	(6,281)	20,705	2,464	(21,442)
Increase (decrease) in rental deposits received		(51,600)	111,000	84,000	—	(50,000)
Increase (decrease) in amount due to a fellow subsidiary		35,050	(15,317)	14,624	(19,733)	(34,357)
Net cash from operating activities		663,219	717,308	1,099,906	283,410	315,368
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		1,789	178	3,856	276	—
Advance to ultimate holding company		(187,600)	(1,024,530)	(1,114,531)	(274,530)	(514,529)
Net cash used in investing activities		(185,811)	(1,024,352)	(1,110,675)	(274,254)	(514,529)
Net increase (decrease) in cash and cash equivalents		477,408	(307,044)	(10,769)	9,156	(199,161)
Cash and cash equivalents at beginning of the Relevant Periods		152,087	629,495	322,451	322,451	311,682
Cash and cash equivalents at end of the Relevant Periods, represented by bank balance		629,495	322,451	311,682	331,607	112,521

II. NOTES ON THE FINANCIAL INFORMATION**1. GENERAL**

The Target Company was incorporated in the BVI and is principally engaged in investment holding. The wholly owned subsidiary of the Target Company is Goldchamp International Limited and whose principal activity is property holding.

The Target Company's ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Target Company is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The consolidated Financial Information are presented in Hong Kong dollars ("HK\$" or "HKD"), which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Target Company had given careful considerations to the future liquidity of the Target Company in light of the fact that as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015, the Target Company has net capital deficit position and its current liabilities exceeded its current assets by approximately HK\$71,082, HK\$74,152, HK\$79,222 and HK\$84,292, respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and connected transaction, the directors of the Target Company are confident that the Target Company will be able to meet its financial obligations when they fall due in foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has, throughout the Relevant Period, consistently adopted Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2014.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ³

The directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial positions of the Target Group and the Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values, at the end of each of the Relevant Periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKSA 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company and its subsidiaries. Control is achieved when the Target Company:

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

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

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group or other vote holders;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in non-controlling interests having a deficit balance.

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

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

Revenue recognition

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognized in profit or loss in the Relevant Periods in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the Relevant Periods, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net proceeds and the carrying amount of the assets and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the Relevant Periods in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the Relevant Periods in which the item is derecognised.

Financial instruments

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

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

Financial assets

The Target Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables, rental deposits received and amount due to a fellow subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Impairment

At the end of each of the Relevant Periods, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Target Company as lessor

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profits differs from profit before taxation as reported in the statement of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax

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

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the Relevant Periods

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Target Group's investment properties portfolios and concluded that while the Target Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

Changes in the management assessment could impact whether the Target Group rebuts the presumption to recover the investment properties measured under fair value model through sale and therefore future deferred tax charge or credit could be revised.

Key sources of estimation uncertainty***Investment properties***

Some of the Target Group's assets are measured at fair value for financial reporting purposes. The Target Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Target Group's investment properties, the Target Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation of the Target Group's investment properties. At the end of each of the Relevant Periods, the management works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target

Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Target Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors. Information about the valuation techniques and inputs used in determining the fair value of the Target Group's investment properties is disclosed in note 11.

6. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that the Target Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of cash and cash equivalents and equity attributable to the owners of the Target Group.

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

7. FINANCIAL INSTRUMENTS

Categories of financial instruments of the Target Group

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Financial assets					
Loans and receivables (including cash and cash equivalents)					
— Trade and other receivables	46,252	50,252	145,792	50,252	52,097
— Amount due from ultimate holding company	31,755,520	32,780,050	33,894,581	33,054,580	34,409,110
— Bank balance	629,495	322,451	311,682	331,607	112,521
	<u>32,431,267</u>	<u>33,152,753</u>	<u>34,352,055</u>	<u>33,436,439</u>	<u>34,573,728</u>
Financial liabilities					
Amortised cost					
Other payables	10,113	5,832	3,912	8,296	4,148
Rental deposits received	107,000	218,000	302,000	218,000	252,000
Amount due to a fellow subsidiary	35,050	19,733	34,357	—	—
	<u>152,163</u>	<u>243,565</u>	<u>340,269</u>	<u>226,296</u>	<u>256,148</u>

Financial risk management objectives and policies

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

Credit risk

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at end of each of the Relevant Periods in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The Target Group had concentration of credit risk in relation to the receivables from ultimate holding company amounting to HK\$31,755,520, HK\$32,780,050, HK\$33,894,581, as at 31 March 2013, 31 March 2014, and 31 March 2015 respectively; and HK\$34,409,110 (30 June 2014 (unaudited): HK\$33,054,580) as at 30 June 2015. In order to minimise the credit risk, the directors reviewed the recoverable amounts of the receivables from ultimate holding company at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors consider that the Target Group's credit risk on receivables from ultimate holding company are significantly reduced.

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

Liquidity risk

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

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

Liquidity and interest risk table of the Target Group

	Weighted average effective interest rate %	On demand or less than three months HK\$	Total undiscounted cash flows and carrying amount HK\$
As at 30 June 2015			
Non-derivative financial liabilities			
Other payables	—	4,148	4,148
Rental deposits received	—	252,000	252,000
		<u>256,148</u>	<u>256,148</u>
As at 31 March 2015			
Non-derivative financial liabilities			
Other payables	—	3,912	3,912
Rental deposits received	—	302,000	302,000
Amount due to a fellow subsidiary	—	34,357	34,357
		<u>340,269</u>	<u>340,269</u>

	Weighted average effective interest rate %	On demand or less than three months HK\$	Total undiscounted cash flows and carrying amount HK\$
As at 31 March 2014			
Non-derivative financial liabilities			
Other payables	—	5,832	5,832
Rental deposits received	—	218,000	218,000
Amount due to a fellow subsidiary	—	19,733	19,733
		<u>243,565</u>	<u>243,565</u>
As at 31 March 2013			
Non-derivative financial liabilities			
Other payables	—	10,113	10,113
Rental deposits received	—	107,000	107,000
Amount due to a fellow subsidiary	—	35,050	35,050
		<u>152,163</u>	<u>152,163</u>
As at 30 June 2014 (unaudited)			
Non-derivative financial liabilities			
Other payables	—	8,296	8,296
Rental deposits received	—	218,000	218,000
		<u>226,296</u>	<u>226,296</u>

Fair value

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

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

8. TURNOVER

Turnover represents rental income received or receivable from property leasing in Hong Kong during the Relevant Periods.

9. PROFIT FOR THE RELEVANT PERIODS

The Target Group

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Profit for the Relevant Periods has been arrived at after charging:					
Auditor's remuneration	62,000	58,000	60,000	—	—
Directors' remuneration	—	—	—	—	—
and after crediting:					
Gross rental income from investment properties	1,049,179	1,253,339	1,520,265	369,000	405,000
Less: Direct operating expenses from investment properties that generated rental income	(224,861)	(239,020)	(273,337)	(60,583)	(63,405)
	<u>824,318</u>	<u>1,014,319</u>	<u>1,246,928</u>	<u>308,417</u>	<u>341,595</u>
Interest income	<u>1,789</u>	<u>178</u>	<u>3,856</u>	<u>276</u>	<u>—</u>

10. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information as the estimated assessable profits for Relevant Periods were wholly absorbed by tax losses brought forward.

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

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Profit before taxation	<u>6,563,384</u>	<u>2,608,593</u>	<u>3,592,004</u>	<u>296,970</u>	<u>3,743,013</u>
Tax charge of Hong Kong Profits Tax at 16.5% (2014: 16.5% and 2013: 16.5%)	1,082,958	430,418	592,681	49,000	617,597
Tax effect of income not taxable for tax purposes	(968,845)	(325,079)	(414,786)	—	(564,300)
Tax effect of expenses not deductible for tax purpose	1,167	506	836	837	837
Tax effect of utilisation of tax losses previously not recognised	(88,564)	(79,076)	(147,753)	(41,933)	(46,230)
Others	<u>(26,716)</u>	<u>(26,769)</u>	<u>(30,978)</u>	<u>(7,904)</u>	<u>(7,904)</u>
Taxation for the Relevant Periods	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The Target Company was not subjected to any profits tax while GCI was subject to Hong Kong Profit tax at the tax rate 16.5% throughout the Relevant Periods.

At 31 March 2015, the Target Group had unused tax losses of approximately HK\$4,481,000 (2014: HK\$5,348,000; 2013: HK\$5,829,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

At 30 June 2015, the Target Group had unused tax losses of approximately HK\$4,201,000 (2014: HK\$5,086,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

11. INVESTMENT PROPERTIES

The Target Group

	<i>HK\$</i>
FAIR VALUE	
As at 1 April 2012	46,980,000
Increase in fair value recognised in profit or loss	<u>5,870,000</u>
As at 31 March 2013	52,850,000
Increase in fair value recognised in profit or loss	<u>1,970,000</u>
As at 31 March 2014	54,820,000
Increase in fair value recognised in profit or loss	<u>2,510,000</u>
As at 31 March 2015	57,330,000
Increase in fair value recognised in profit or loss	<u>3,420,000</u>
As at 30 June 2015	<u><u>60,750,000</u></u>
FAIR VALUE (unaudited)	
As at 1 April 2014	54,820,000
Increase in fair value recognised in profit or loss	<u>—</u>
As at 30 June 2014	<u><u>54,820,000</u></u>

The fair values of the Target Group's investment properties as at 31 March 2013, 31 March 2014 and 31 March 2015 were arrived at on the basis of valuation carried out at those dates by Vigers Appraisal and Consulting Limited, a firm of independent qualified professional property valuers not connected with the Target Group. Vigers Appraisal and Consulting Limited is a member of the Hong Kong Institute of Surveyors.

The fair values of the Target Group's investment properties as at 30 June 2015 were arrived at on the basis of valuation carried out at that date by Knight Frank Petty Limited, a firm of independent qualified professional property valuers not connected with the Target Group. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors.

All of the Target Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises properties situated on:

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Land in Hong Kong under medium-term lease	<u>52,850,000</u>	<u>54,820,000</u>	<u>57,330,000</u>	<u>54,820,000</u>	<u>60,750,000</u>

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Target Group	:	Residential and industrial units in Hong Kong																																				
Fair value	:	<table> <thead> <tr> <th></th> <th colspan="3">As at 31 March</th> <th colspan="2">As at 30 June</th> </tr> <tr> <th></th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2014</th> <th>2015</th> </tr> <tr> <th></th> <th>HK\$</th> <th>HK\$</th> <th>HK\$</th> <th>HK\$</th> <th>HK\$</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td colspan="2" style="text-align: center;">(Unaudited)</td> </tr> <tr> <td>Residential units in Hong Kong</td> <td style="text-align: right;">39,950,000</td> <td style="text-align: right;">38,000,000</td> <td style="text-align: right;">39,600,000</td> <td style="text-align: right;">38,000,000</td> <td style="text-align: right;">41,600,000</td> </tr> <tr> <td>Industrial units in Hong Kong</td> <td style="text-align: right;">12,900,000</td> <td style="text-align: right;">16,820,000</td> <td style="text-align: right;">17,730,000</td> <td style="text-align: right;">16,820,000</td> <td style="text-align: right;">19,150,000</td> </tr> </tbody> </table>		As at 31 March			As at 30 June			2013	2014	2015	2014	2015		HK\$	HK\$	HK\$	HK\$	HK\$					(Unaudited)		Residential units in Hong Kong	39,950,000	38,000,000	39,600,000	38,000,000	41,600,000	Industrial units in Hong Kong	12,900,000	16,820,000	17,730,000	16,820,000	19,150,000
	As at 31 March			As at 30 June																																		
	2013	2014	2015	2014	2015																																	
	HK\$	HK\$	HK\$	HK\$	HK\$																																	
				(Unaudited)																																		
Residential units in Hong Kong	39,950,000	38,000,000	39,600,000	38,000,000	41,600,000																																	
Industrial units in Hong Kong	12,900,000	16,820,000	17,730,000	16,820,000	19,150,000																																	
Fair value hierarchy	:	Level 3																																				
Valuation techniques and key inputs	:	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.																																				
Significant unobservable inputs	:	Price per square foot, using market direct comparables and taking into account of location and other individual factors such as age of building and size of property etc., which is ranged from HK\$5,725 to HK\$15,364, HK\$5,725 to HK\$14,085 and HK\$5,502 to HK\$10,986 per square foot as at 31 March 2015, 31 March 2014 and 31 March 2013 respectively; and HK\$5,980 to HK\$15,749 per square foot as at 30 June 2015 (30 June 2014 (unaudited): HK\$5,725 to HK\$14,085) for those residential units in Hong Kong; and HK\$3,101 to HK\$3,733, HK\$3,007 to HK\$3,297 and HK\$2,301 to HK\$2,534 per square foot as at 31 March 2015, 31 March 2014 and 31 March 2013 respectively; and HK\$3,598 to HK\$3,654 per square foot as at 30 June 2015 (30 June 2014 (unaudited): HK\$3,007 to HK\$3,297) for those industrial units in Hong Kong.																																				
Sensitivity	:	The higher the price per square foot, the higher the fair value.																																				

12. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements – the Target Group

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Cost					
As at beginning of Relevant Periods	169,800	169,800	169,800	169,800	169,800
Additions/disposals	—	—	—	—	—
As at end of Relevant Periods	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>
Accumulated depreciation					
As at beginning of Relevant Periods	169,800	169,800	169,800	169,800	169,800
Charge for the Relevant Periods	—	—	—	—	—
As at end of Relevant Periods	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>	<u>169,800</u>
Carrying values					
As at end of Relevant Periods	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method and over the duration of the leases or five years, whichever is shorter.

13. TRADE AND OTHER RECEIVABLES

The Target Group	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Trade receivables	—	26,000	121,540	26,000	27,845
Other receivables and prepayments	3,105	9,614	11,645	5,629	7,186
Deposit paid	<u>46,252</u>	<u>24,252</u>	<u>24,252</u>	<u>24,252</u>	<u>24,252</u>
	<u>49,357</u>	<u>59,866</u>	<u>157,437</u>	<u>55,881</u>	<u>59,283</u>

The Target Group does not grant credit period to its tenants. Trade receivables as at the end of each Relevant Periods represent amounts arising from the effective rent adjustment for rent-free period granted to tenants. Accordingly, the trade receivables are neither past due nor impaired. The Target Group does not hold any collateral over these balances.

14. AMOUNTS DUE FROM/TO GROUP COMPANIES

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

15. SHARE CAPITAL

The Target Company was incorporated in the BVI on 2 January 2002 with an authorised share capital of US\$10,000 divided into 10,000 ordinary shares of US\$1.00 each. One ordinary share of US\$1.00 (equivalent to HK\$8) each of the Target Company was issued and fully paid up at par upon incorporation.

16. OPERATING LEASE ARRANGEMENTS

At the end of each year/period during the Relevant Periods, the Target Group had contracted with the tenants for the following future minimum lease payments in respect of the investment properties under non-cancellable operating lease:

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Within one year	653,952	1,246,000	1,370,613	1,448,097	1,133,612
In the second to fifth year inclusive	10,000	1,058,613	431,226	749,613	263,226
	<u>663,952</u>	<u>2,304,613</u>	<u>1,801,839</u>	<u>2,197,710</u>	<u>1,396,838</u>

Under the leases entered into by the Target Group, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2015, the properties held have committed tenants for a term of two years (2014: three years; 2013: two years).

At 30 June 2015, the properties held have committed tenants for a term of two years (30 June 2014: two years).

17. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Target Group entered into the following transactions with a related party:

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Agency fee to a fellow subsidiary	<u>35,050</u>	<u>38,048</u>	<u>57,700</u>	<u>—</u>	<u>—</u>

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company and Target Group in respect of any period subsequent to 30 June 2015.

19. EVENT AFTER THE RELEVANT PERIODS

On 6 August 2015, the immediate shareholder of the Target Company, Easyknit Properties Holdings Limited (“EPHL”), has entered into a sales and purchase agreement and the supplemental agreement with the Company that the Company conditionally agreed to acquire and EPHL has conditionally agreed to sell the entire issued capital of the Target Company and amount due to Easyknit International Holdings Limited upon the terms contained therein. Upon completion of the proposed very substantial acquisition and connected transaction, the Target Company will become a wholly-owned subsidiary of the Company.

Yours faithfully,
Cosmos CPA Limited
Certified Public Accountants

NG Lai Man Carmen
Practising Certificate Number P03518

Hong Kong
14 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS**Supertop Investment Limited**

The following is the management discussion and analysis of the Target Group for the three years ended 31 March 2013, 2014 and 2015 and three months ended 30 June 2014 and 2015.

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

Property investments

Turnover from the property investments segment increased by 19.5% to HK\$1,253,339 for the year ended 31 March 2014 as compared to 2013 (2013: HK\$1,049,179).

Liquidity and financial resources

As at 31 March 2014, the Target Group had bank balances amounting to HK\$322,451 (2013: HK\$629,495). As at 31 March 2014, the Target Group's current ratio was 109.2 (2013: approximately 151.4) which was calculated on the basis of current assets of HK\$33,162,367 (2013: HK\$32,434,372) to current liabilities of HK\$303,565 (2013: HK\$214,163). During the year ended 31 March 2014, the Target Group financed its operation primarily through internal resources.

The Target Group had amount due from the ultimate holding company, being Easyknit International, of approximately HK\$32,780,050 as at 31 March 2014 (2013: HK\$31,755,520).

Capital structure

During the year ended 31 March 2014, there was no change to the share capital of the Target Company.

As at 31 March 2014, the total number of issued ordinary shares of the Target Company was 1 (2013: 1 share).

Charge on assets

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

Material acquisitions and disposals

During the year ended 31 March 2014, the Target Group has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

For the year ended 31 March 2015 as compared to the year ended 31 March 2014

Property investments

Turnover from the property investments segment increased by 21.3% to HK\$1,520,265 for the year ended 31 March 2015 (2014: HK\$1,253,339).

Liquidity and financial resources

As at 31 March 2015, total assets of the Target Group amounted to HK\$91,693,700 (2014: HK\$87,982,367). In terms of financial resources as at 31 March 2015, the Target Group's total bank balances was HK\$311,682 (2014: HK\$322,451).

The Target Group's current ratio was approximately 81.3 as at 31 March 2015 (2014: approximately 109.2) which was calculated on the basis of current assets of HK\$34,363,700 (2014: HK\$33,162,367) to current liabilities of HK\$422,894 (2014: HK\$303,565). During the year, the Target Group financed its operations primarily through internal resources.

The Target Group had an amount due from the ultimate holding company of approximately HK\$33,894,581 as at 31 March 2015 (2014: HK\$32,780,050).

Charge on assets

The Target Group did not have any charges on assets as at 31 March 2015.

Material acquisitions and disposals

During the year ended 31 March 2015, the Target Group has no material acquisitions and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at 31 March 2015 (2014: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2015, the Target Group did not have any capital expenditure or capital commitments.

For the three months ended 30 June 2015 as compared to three months ended 30 June 2014

Property investments

Turnover from the property investments segment increased by 9.8% to HK\$405,000 for the three months ended 30 June 2015 as compared to 2014 (2014: HK\$369,000).

Liquidity and financial resources

As at 30 June 2015, the Target Group had bank balances amounting to HK\$112,521 (2014: HK\$331,607). As at 30 June 2015, the Target Group's current ratio was 109.1 (2014: approximately 116.8) which was calculated on the basis of current assets of HK\$34,580,914 (2014: HK\$33,442,068) to current liabilities of HK\$317,095 (2014: HK\$286,296). During the three months ended 30 June 2015, the Target Group financed its operation primarily through internal resources.

The Target Group had amount due from the ultimate holding company, being Easyknit International, of approximately HK\$34,409,110 as at 30 June 2015 (2014: HK\$33,054,580).

Capital structure

During the three months ended 30 June 2015, there was no change to the share capital of the Target Company.

As at 30 June 2015, the total number of issued ordinary shares of the Target Company was 1 (2014: 1 share).

Charge on assets

The Target Group did not have any charges on assets as at 30 June 2015.

Material acquisitions and disposals

During the three months ended 30 June 2015, the Target Group has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at 30 June 2015 (2014: nil).

Capital expenditure and capital commitments

During the three months ended 30 June 2015, the Target Group did not have any capital expenditure or capital commitments.



Suite 2305, 23rd Floor
Convention Plaza Office Tower
1 Harbour Road, Wanchai
Hong Kong

14 September 2015

The Board of Directors
Easyknit Enterprises Holdings Limited
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
HONG KONG

Dear Sirs

We set out below our report on the financial information relating to Golden Top Properties Limited (the “Target Company”) including the statements of financial position as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015 and of its statement of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 March 2013, 31 March 2014, 31 March 2015 and three months ended 30 June 2015 (the “Relevant Periods”) together with the explanatory notes thereto (the “Financial Information”) for inclusion in Appendix II to the circular of Easyknit Enterprises Holdings Limited (the “Company”) dated 14 September 2015 in connection with the Company’s proposed very substantial acquisition and connected transaction of the entire issued share capital of the Target Company (the “Circular”).

The Target Company was incorporated in Hong Kong on 30 January 1996 with limited liability and is principally engaged in property holding. The registered office of the Target Company is located at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The statutory audited financial statements of the Target Company have been audited by Deloitte Touche Tohmatsu for each of the three years ended 31 March 2013, 31 March 2014 and 31 March 2015. No statutory audited financial statements of the Target Company have been prepared for the three months ended 30 June 2015 as there are no such statutory audit requirements under the relevant rules and regulation in Hong Kong.

For the purpose of this report, the directors of the Target Company have prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

The Financial Information of the Target Company for the Relevant Periods set out in this report has been prepared based from the Underlying Financial Statements for the purpose of preparing a report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

DIRECTORS' RESPONSIBILITY

The directors of the Target Company are responsible for the contents of the Circular including the preparation and presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the applicable disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Target Company determine is necessary to enable the preparation the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to compile the Financial Information set out in this report from the Underlying Financial Statements and to report our opinion to you.

We have examined the Underlying Financial Statements of the Target Company and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 June 2015.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, gives a true and fair view of the affairs of the Target Company as at 31 March 2013, 31 March 2014 and 31 March 2015 and 30 June 2015 and of its results and cash flows for the Relevant Periods in accordance with HKFRSs.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited comparative financial information of the Target Company prepared by the directors for the three months ended 30 June 2014 together with the notes thereon (the "Comparative Financial Information"), in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for preparation and presentation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
TURNOVER	8	984,000	1,119,290	1,200,000	300,000	300,000
Other income		—	850	—	—	—
Gain on changes in fair value of investment properties		3,500,000	6,900,000	1,800,000	—	1,300,000
Administrative expenses		(170,795)	(197,628)	(217,988)	(34,308)	(36,668)
Finance costs	9	<u>(674,247)</u>	<u>(903,878)</u>	<u>(912,958)</u>	<u>(225,995)</u>	<u>(227,419)</u>
Profit and total comprehensive income for the Relevant Periods	10	<u>3,638,958</u>	<u>6,918,634</u>	<u>1,869,054</u>	<u>39,697</u>	<u>1,335,913</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
NON-CURRENT ASSETS						
Investment properties	12	19,800,000	26,700,000	28,500,000	26,700,000	29,800,000
CURRENT ASSETS						
Prepayments		—	3,625	3,625	2,417	2,417
Bank balance		197,521	270,897	978,870	216,758	23,852
		<u>197,521</u>	<u>274,522</u>	<u>982,495</u>	<u>219,175</u>	<u>26,269</u>
CURRENT LIABILITIES						
Accrued charge		15,000	20,000	20,000	20,000	20,000
Rental deposits received		246,000	300,000	300,000	300,000	300,000
Amount due to ultimate holding company	13	16,915,400	16,929,678	17,559,158	16,852,195	16,594,019
Amount due to a fellow subsidiary	14	32,472	17,561	27,000	—	—
		<u>17,208,872</u>	<u>17,267,239</u>	<u>17,906,158</u>	<u>17,172,195</u>	<u>16,914,019</u>
NET CURRENT LIABILITIES		<u>(17,011,351)</u>	<u>(16,992,717)</u>	<u>(16,923,663)</u>	<u>(16,953,020)</u>	<u>(16,887,750)</u>
NET ASSETS		<u>2,788,649</u>	<u>9,707,283</u>	<u>11,576,337</u>	<u>9,746,980</u>	<u>12,912,250</u>
CAPITAL AND RESERVES						
Share capital	15	2	2	2	2	2
Retained earnings		2,788,647	9,707,281	11,576,335	9,746,978	12,912,248
SHAREHOLDERS' FUNDS		<u>2,788,649</u>	<u>9,707,283</u>	<u>11,576,337</u>	<u>9,746,980</u>	<u>12,912,250</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	(Accumulated losses) retained earnings <i>HK\$</i>	Total <i>HK\$</i>
As at 1 April 2012	2	(850,311)	(850,309)
Profit and total comprehensive income for the year	—	3,638,958	3,638,958
As at 31 March 2013	2	2,788,647	2,788,649
Profit and total comprehensive income for the year	—	6,918,634	6,918,634
As at 31 March 2014	2	9,707,281	9,707,283
Profit and total comprehensive income for the year	—	1,869,054	1,869,054
As at 31 March 2015	2	11,576,335	11,576,337
Profit and total comprehensive income for the three months ended 30 June 2015	—	1,335,913	1,335,913
As at 30 June 2015	<u>2</u>	<u>12,912,248</u>	<u>12,912,250</u>
For the three months ended 30 June 2014 (unaudited)			
As at 1 April 2014	2	9,707,281	9,707,283
Profit and total comprehensive income for the three months ended 30 June 2014	—	39,697	39,697
As at 30 June 2014	<u>2</u>	<u>9,746,978</u>	<u>9,746,980</u>

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit for the Relevant Periods	10	3,638,958	6,918,634	1,869,054	39,697	1,335,913
Adjustments for:						
Interest expenses		674,247	903,878	912,958	225,995	227,419
Gain on changes in fair value of investment properties	12	(3,500,000)	(6,900,000)	(1,800,000)	—	(1,300,000)
Operating cash flows before movements in working capital		813,205	922,512	982,012	265,692	263,332
Decrease (increase) in prepayment		1,868	(3,625)	—	1,208	1,208
Increase in accrued charge		—	5,000	—	—	—
Increase in rental deposits received		—	54,000	—	—	—
Net cash from operating activities		815,073	977,887	982,012	266,900	264,540
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from (repayment to) ultimate holding company		6,915,400	14,278	629,480	(77,483)	(965,139)
Advance from (repayment to) a fellow subsidiary		32,472	(14,911)	9,439	(17,561)	(27,000)
Interest paid		(674,247)	(903,878)	(912,958)	(225,995)	(227,419)
Repayment to immediate holding company		(6,901,977)	—	—	—	—
Net cash used in financing activities		(628,352)	(904,511)	(274,039)	(321,039)	(1,219,558)
Net increase (decrease) in cash and cash equivalents		186,721	73,376	707,973	(54,139)	(955,018)
Cash and cash equivalents at beginning of the Relevant Periods		10,800	197,521	270,897	270,897	978,870
Cash and cash equivalents at end of the Relevant Periods, represented by bank balance		197,521	270,897	978,870	216,758	23,852

II. NOTES ON THE FINANCIAL INFORMATION**1. GENERAL**

The Target Company is a private limited company incorporated in Hong Kong and its immediate holding company is Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Islands. The Target Company's ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Target Company is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Target Company is engaged in property holding.

The Financial Information are presented in Hong Kong dollars ("HK\$" or "HKD"), which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Target Company had given careful considerations to the future liquidity of the Target Company in light of the fact that as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015, the Target Company has current liabilities exceeded its current assets by approximately HK\$17,011,351, HK\$16,992,717, HK\$16,923,663 and HK\$16,887,750, respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and connected transaction, the directors of the Target Company are confident that the Target Company will be able to meet its financial obligations when they fall due in foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2014.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ³

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared under the historical cost basis except for investment properties, which are measured at fair value, and have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKSA 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Revenue recognition

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

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the Relevant Periods in which they are incurred.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the Relevant Periods in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the Relevant Periods in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including rental deposits received and amounts due to group companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Impairment

At the end of each of the Relevant Periods, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Target Company as lessor

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profits differs from profit before taxation as reported in the statements of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax

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

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the Relevant Periods

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Target Company's investment properties portfolios and concluded that while the Target Company's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Company's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

Changes in the management assessment could impact whether the Target Company rebuts the presumption to recover the investment properties measured under fair value model through sale and therefore future deferred tax charge or credit could be revised.

Key sources of estimation uncertainty***Investment properties***

Some of the Target Company's assets are measured at fair value for financial reporting purposes. The Target Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Target Company's investment properties, the Target Company uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Target Company engages third party qualified valuers to perform the valuation of the Target Company's investment properties. At the end of each of the Relevant Periods, the management works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target Company will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Target Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors. Information about the valuation techniques and inputs used in determining the fair value of the Target Company's investment properties is disclosed in note 12.

6. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes amount due to ultimate holding company and amount due to a fellow subsidiary as disclosed in notes 13 and 14 respectively, cash and cash equivalents and equity attributable to owners of the Target Company.

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

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Financial assets					
Loans and receivables (including cash and cash equivalents)					
— Bank balance	197,521	270,897	978,870	216,758	23,852
Financial liabilities					
Amortised cost					
— Rental deposits received	246,000	300,000	300,000	300,000	300,000
— Amount due to ultimate holding company	16,915,400	16,929,678	17,559,158	16,852,195	16,594,019
— Amount due to a fellow subsidiary	32,472	17,561	27,000	—	—
	<u>17,193,872</u>	<u>17,247,239</u>	<u>17,886,158</u>	<u>17,152,195</u>	<u>16,894,019</u>

Financial risk management objectives and policies

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

Market risk

Interest rate risk

The Target Company is exposed to cash flow interest rate risk in relation to amount due to ultimate holding company with variable-rate (see note 13 for details). The management continuously monitors interest rate fluctuation and will consider repaying the amount when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate for interest bearing amount due to ultimate holding company at the end of each of the year/period during the Relevant Periods. The analysis is prepared assuming the amount due to ultimate holding company outstanding at the end of each year/period during the Relevant Periods was outstanding for the whole year/period.

If interest rate on interest bearing amount due to ultimate holding company had been 10 basis points higher/lower and all other variables were held constant, the post-tax-profit for the year ended 31 March 2015 would decrease/increase by HK\$14,662 (2014: HK\$14,136 and 2013: HK\$14,124) and HK\$13,856 for the three months ended 30 June 2015 (30 June 2014: HK\$14,071). In management's opinion, the sensitive analysis is unrepresentative of the interest rate as the exposure at the end of each year/period during the Relevant Periods does not reflect the exposure during the Relevant Periods.

Credit risk

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

Liquidity risk

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

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

Liquidity and interest rate risk table

	Weighted average effective interest rate %	On demand HK\$	Three months to one year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
As at 30 June 2015					
Non-derivative financial liabilities					
Rental deposits received	—	—	300,000	300,000	300,000
Amount due to ultimate holding company	5.5	16,594,019	—	16,594,019	16,594,019
		<u>16,594,019</u>	<u>300,000</u>	<u>16,894,019</u>	<u>16,894,019</u>

	Weighted average effective interest rate %	On demand HK\$	Three months to one year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<u>As at 31 March 2015</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	300,000	300,000	300,000
Amount due to ultimate holding company	5.5	17,559,158	—	17,559,158	17,559,158
Amount due to a fellow subsidiary	—	27,000	—	27,000	27,000
		<u>17,586,158</u>	<u>300,000</u>	<u>17,886,158</u>	<u>17,886,158</u>
<u>As at 31 March 2014</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	300,000	300,000	300,000
Amount due to ultimate holding company	5.5	16,929,678	—	16,929,678	16,929,678
Amount due to a fellow subsidiary	—	17,561	—	17,561	17,561
		<u>16,947,239</u>	<u>300,000</u>	<u>17,247,239</u>	<u>17,247,239</u>
<u>As at 31 March 2013</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	246,000	246,000	246,000
Amount due to ultimate holding company	4.0	16,915,400	—	16,915,400	16,915,400
Amount due to a fellow subsidiary	—	32,472	—	32,472	32,472
		<u>16,947,872</u>	<u>246,000</u>	<u>17,193,872</u>	<u>17,193,872</u>
<u>As at 30 June 2014</u> (unaudited)					
Non-derivative financial liabilities					
Rental deposits received	—	—	300,000	300,000	300,000
Amount due to ultimate holding company	5.5	16,852,195	—	16,852,195	16,852,195
		<u>16,852,195</u>	<u>300,000</u>	<u>17,152,195</u>	<u>17,152,195</u>

Fair value

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

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

8. TURNOVER

Turnover represents rental income received or receivable from property leasing in Hong Kong during the Relevant Periods.

9. FINANCE COSTS

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Interest on amount due to ultimate holding company	674,247	903,878	912,958	225,995	227,419

(Unaudited)

10. PROFIT FOR THE RELEVANT PERIODS

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Profit for the Relevant Periods has been arrived at after charging:					
Auditor's remuneration	15,000	25,000	20,000	—	—
Directors' remuneration	—	—	—	—	—
and after crediting:					
Gross rental income from investment properties	984,000	1,119,290	1,200,000	300,000	300,000
Less: Direct operating expenses from investment properties that generated rental income	(120,500)	(128,400)	(142,800)	(32,700)	(35,060)
	863,500	990,890	1,057,200	267,300	264,940

(Unaudited)

11. TAXATION

Except for the year ended 31 March 2014, no provision for Hong Kong Profits Tax has been made in the years ended 31 March 2013 and 31 March 2015, three months ended 30 June 2014 and three months ended 30 June 2015 in the Financial Information as the estimated assessable profits were wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax was made for the year ended 31 March 2014 financial statements as the Target Company had no assessable profits.

Taxation for the Relevant Periods can be reconciled to the results per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Profit before taxation	<u>3,638,958</u>	<u>6,918,634</u>	<u>1,869,054</u>	<u>39,697</u>	<u>1,335,913</u>
Tax charge of Hong Kong Profits Tax at 16.5% (2014 and 2013: 16.5%)	600,428	1,141,575	308,394	6,550	220,426
Tax effect of income not taxable for tax purposes	(577,500)	(1,138,500)	(297,000)	—	(214,500)
Tax effect of tax losses not recognised	—	8,235	—	—	—
Tax effect of tax losses utilised	(11,618)	—	(84)	(3,722)	(3,098)
Others	<u>(11,310)</u>	<u>(11,310)</u>	<u>(11,310)</u>	<u>(2,828)</u>	<u>(2,828)</u>
Taxation for the Relevant Periods	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At 31 March 2015, the Target Company had unused tax losses of approximately HK\$179,000 (2014: HK\$180,000; 2013: HK\$130,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

At 30 June 2015, the Target Company had unused tax losses of approximately HK\$161,000 (30 June 2014: HK\$58,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

12. INVESTMENT PROPERTIES

	<i>HK\$</i>
FAIR VALUE	
As at 1 April 2012	16,300,000
Increase in fair value recognised in profit or loss	<u>3,500,000</u>
As at 31 March 2013	19,800,000
Increase in fair value recognised in profit or loss	<u>6,900,000</u>
As at 31 March 2014	26,700,000
Increase in fair value recognised in profit or loss	<u>1,800,000</u>
As at 31 March 2015	28,500,000
Increase in fair value recognised in profit or loss	<u>1,300,000</u>
As at 30 June 2015	<u><u>29,800,000</u></u>
FAIR VALUE (unaudited)	
As at 1 April 2014	26,700,000
Increase in fair value recognised in profit or loss	<u>—</u>
As at 30 June 2014	<u><u>26,700,000</u></u>

The fair values of the Target Company's investment properties at 31 March 2013, 31 March 2014 and 31 March 2015 were arrived at on the basis of valuation carried out at those dates by Vigers appraisal and Consulting Limited, a firm of independent qualified professional property valuers not connected with the Target Company. Vigers appraisal and Consulting Limited is a member of the Hong Kong Institute of Surveyors.

The fair value of the Target Company's investment properties at 30 June 2015 was arrived at on the basis of valuation carried out at that date by Knight Frank Petty Limited, a firm of independent qualified professional property valuers not connected with the Target Company. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors.

All of the Target Company's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises properties situated on:

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land in Hong Kong under medium-term lease	<u>19,800,000</u>	<u>26,700,000</u>	<u>28,500,000</u>	<u>26,700,000</u>	<u>29,800,000</u>

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Target Company	:	Industrial units in Hong Kong				
Fair value	:	As at 31 March			As at 30 June	
		2013	2014	2015	2014	2015
		HK\$	HK\$	HK\$	HK\$	HK\$
					(Unaudited)	
		19,800,000	26,700,000	28,500,000	26,700,000	29,800,000
Fair value hierarchy	:	Level 3				
Valuation techniques and key inputs	:	Direct comparison method — based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property				
Significant unobservable inputs	:	Price per square foot, using market direct comparable and taking into account of location and other individual factors such as age of building and size of property etc., which is per square foot of HK\$2,300, HK\$3,102, HK\$3,311 as at 31 March 2013, 31 March 2014 and 31 March 2015 respectively and HK\$3,311 as at 30 June 2015 (30 June 2014: HK\$3,102).				
Sensitivity	:	The higher the price per square foot, the higher the fair value.				

13. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is bearing interest at the bank's Hong Kong best lending rate plus 0.5% per annum for the three months ended 30 June 2015 and each of the two years ended 31 March 2015 and 31 March 2014. The amount is bearing interest at the bank's Hong Kong best lending rate minus 1% per annum for the year ended 31 March 2013.

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

The Target Company was incorporated in Hong Kong on 30 January 1996 with authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Two ordinary shares of the Target Company were issued and fully paid up at par upon incorporation.

The Target Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (Cap. 622) (i.e. 3 March 2014).

16. OPERATING LEASE ARRANGEMENTS

At the end of each year/period during the Relevant Periods, the Target Company had contracted with the tenants for the following future minimum lease payments in respect of the investment properties under non-cancellable operating lease:

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Within one year	367,677	1,200,000	448,387	1,200,000	148,387
In the second to fifth year inclusive	—	448,387	—	148,387	—
	<u>367,677</u>	<u>1,648,387</u>	<u>448,387</u>	<u>1,348,387</u>	<u>148,387</u>

Under the leases entered into by the Target Company, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2015, the properties held have committed tenants for a term of one year (2014: two years and 2013: one year).

At 30 June 2015, the properties held have committed tenants for a term of one year (30 June 2014: two years).

17. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Target Company entered into the following transactions with related parties:

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Agency fee to a fellow subsidiary	32,472	34,698	45,600	—	—
Interest to ultimate holding company	<u>674,247</u>	<u>903,878</u>	<u>912,958</u>	<u>225,995</u>	<u>227,419</u>

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 30 June 2015.

19. EVENT AFTER THE RELEVANT PERIODS

On 6 August 2015, the immediate shareholder of the Target Company, Easyknit Properties Holdings Limited (“EPHL”), has entered into a sales and purchase agreement and the supplemental agreement with New Pursuit Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, that the Purchaser conditionally agreed to acquire and EPHL has conditionally agreed to sell the entire issued capital of the Target Company and amount due to Easyknit International Holdings Limited upon the terms contained therein. Upon completion of the proposed very substantial acquisition and connected transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Yours faithfully,

COSMOS CPA LIMITED

Certified Public Accountants

NG Lai Man Carmen

Practising Certificate Number P03518

Hong Kong

14 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS**Golden Top Properties Limited**

The following is the management discussion and analysis of the Target Company for the three years ended 31 March 2013, 2014 and 2015 and three months ended 30 June 2014 and 2015.

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

Property investments

Turnover from the property investments segment increased by 13.7% to HK\$1,119,290 for the year ended 31 March 2014 as compared to 2013 (2013: HK\$984,000).

Liquidity and financial resources

As at 31 March 2014, the Target Company had bank balances amounting to HK\$270,897 (2013: HK\$197,521). As at 31 March 2014, the Target Company's current ratio was 0.02 (2013: approximately 0.01) which was calculated on the basis of current assets of HK\$274,522 (2013: HK\$197,521) to current liabilities of HK\$17,267,239 (2013: HK\$17,208,872). During the year ended 31 March 2014, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$16,929,678 as at 31 March 2014 (2013: HK\$16,915,400).

Capital structure

During the year ended 31 March 2014, there was no change to the share capital of the Target Company.

As at 31 March 2014, the total number of issued ordinary shares of the Target Company was 2 (2013: 2 shares).

Charge on assets

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

Material acquisitions and disposals

During the year ended 31 March 2014, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

For the year ended 31 March 2015 as compared to the year ended 31 March 2014

Property investments

Turnover from the property investments segment increased by 7.2% to HK\$1,200,000 for the year ended 31 March 2015 (2014: HK\$1,119,290).

Liquidity and financial resources

As at 31 March 2015, total assets of the Target Company amounted to HK\$29,482,495 (2014: HK\$26,974,522). In terms of financial resources as at 31 March 2015, the Target Company's total bank balances was HK\$978,870 (2014: HK\$270,897).

The Target Company's current ratio was approximately 0.05 as at 31 March 2015 (2014: approximately 0.02) which was calculated on the basis of current assets of HK\$982,495 (2014: HK\$274,522) to current liabilities of HK\$17,906,158 (2014: HK\$17,267,239). During the year, the Target Company financed its operations primarily through loans from ultimate holding company.

The Target Company had an amount due to the ultimate holding company of approximately HK\$17,559,158 as at 31 March 2015 (2014: HK\$16,929,678).

Charge on assets

The Target Company did not have any charges on assets as at 31 March 2015.

Material acquisitions and disposals

During the year ended 31 March 2015, the Target Company has no material acquisitions and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 31 March 2015 (2014: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2015, the Target Company did not have any capital expenditure or capital commitments.

For the three months ended 30 June 2015 as compared to three months ended 30 June 2014

Property investments

Turnover from the property investments segment are the same at HK\$300,000 for the three months ended 30 June 2015 as compared to 2014.

Liquidity and financial resources

As at 30 June 2015, the Target Company had bank balances and cash amounting to HK\$23,852 (2014: HK\$216,758). As at 30 June 2015, the Target Company's current ratio was 0.002 (2014: approximately 0.01) which was calculated on the basis of current assets of HK\$26,269 (2014: HK\$219,175) to current liabilities of HK\$16,914,019 (2014: HK\$17,172,195). During the three months ended 30 June 2015, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$16,594,019 as at 30 June 2015 (2014: HK\$16,852,195).

Capital structure

During the three months ended 30 June 2015, there was no change to the share capital of the Target Company.

As at 30 June 2015, the total number of issued ordinary shares of the Target Company was 2 (2014: 2 shares).

Charge on assets

The Target Company did not have any charges on assets as at 30 June 2015.

Material acquisitions and disposals

During the three months ended 30 June 2015, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 30 June 2015 (2014: nil).

Capital expenditure and capital commitments

During the three months ended 30 June 2015, the Target Company did not have any capital expenditure or capital commitments.



Suite 2305, 23rd Floor
Convention Plaza Office Tower
1 Harbour Road, Wanchai
Hong Kong

14 September 2015

The Board of Directors
Easyknit Enterprises Holdings Limited
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
HONG KONG

Dear Sirs,

We set out below our report on the financial information relating to Janson Properties Limited (the “Target Company”) including the statements of financial position as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015 and of its statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 March 2013, 31 March 2014, 31 March 2015 and three months ended 30 June 2015 (the “Relevant Periods”) together with the explanatory notes thereto (the “Financial Information”) for inclusion in Appendix II to the circular of Easyknit Enterprises Holdings Limited (the “Company”) dated 14 September 2015 in connection with the Company’s proposed very substantial acquisition and connected transaction of the entire issued share capital of the Target Company (the “Circular”).

The Target Company was incorporated in Hong Kong on 30 January 1996 with limited liability and is principally engaged in property holding. The registered office of the Target Company is located at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The statutory audited financial statements of the Target Company have been audited by Deloitte Touch Tohmatsu for each of the three years ended 31 March 2013, 31 March 2014 and 31 March 2015. No statutory audited financial statements of the Target Company have been prepared for the three months ended 30 June 2015 as there are no such statutory audit requirements under the relevant rules and regulation in Hong Kong.

For the purpose of this report, the directors of the Target Company have prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

The Financial Information of the Target Company for the Relevant Periods set out in this report has been prepared based from the Underlying Financial Statements for the purpose of preparing a report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

DIRECTORS’ RESPONSIBILITY

The directors of the Target Company are responsible for the contents of the Circular including the preparation and presentation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the applicable disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Target Company determine is necessary to enable the preparation the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to compile the Financial Information set out in this report from the Underlying Financial Statements and to report our opinion to you.

We have examined the Underlying Financial Statements of the Target Company and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 June 2015.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, gives a true and fair view of the affairs of the Target Company as at 31 March 2013, 31 March 2014 and 31 March 2015 and 30 June 2015 and of its results and cash flows for the Relevant Periods in accordance with HKFRSs.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited comparative financial information of the Target Company prepared by the directors for the three months ended 30 June 2014 together with the notes thereon (the “Comparative Financial Information”), in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Target Company are responsible for preparation and presentation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
TURNOVER	8	336,000	352,000	384,000	96,000	96,000
Other income		—	850	—	—	—
Gain on changes in fair value of investment properties		1,500,000	3,400,000	430,000	—	1,250,000
Administrative expenses		(39,252)	(57,079)	(70,574)	(6,456)	(4,619)
Finance costs	9	<u>(308,431)</u>	<u>(307,547)</u>	<u>(308,642)</u>	<u>(76,759)</u>	<u>(77,043)</u>
Profit and total comprehensive income for the Relevant Periods	10	<u>1,488,317</u>	<u>3,388,224</u>	<u>434,784</u>	<u>12,785</u>	<u>1,264,338</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
NON-CURRENT ASSETS						
Investment properties	12	6,600,000	10,000,000	10,430,000	10,000,000	11,680,000
CURRENT ASSETS						
Prepayments		—	1,251	1,251	834	834
Bank balance		48,317	94,516	354,067	101,963	128,982
		48,317	95,767	355,318	102,797	129,816
CURRENT LIABILITIES						
Accrued charge		15,000	20,000	20,000	20,000	20,000
Rental deposits received		84,000	96,000	96,000	96,000	96,000
Amount due to ultimate holding company	13	20,610,012	20,657,958	20,909,453	20,657,571	20,678,253
Amount due to a fellow subsidiary	14	11,088	5,368	8,640	—	—
		20,720,100	20,779,326	21,034,093	20,773,571	20,794,253
NET CURRENT LIABILITIES		(20,671,783)	(20,683,559)	(20,678,775)	(20,670,774)	(20,664,437)
NET LIABILITIES		(14,071,783)	(10,683,559)	(10,248,775)	(10,670,774)	(8,984,437)
CAPITAL AND RESERVES						
Share capital	15	2	2	2	2	2
Accumulated losses		(14,071,785)	(10,683,561)	(10,248,777)	(10,670,776)	(8,984,439)
DEFICIENCY OF SHAREHOLDERS' FUNDS		(14,071,783)	(10,683,559)	(10,248,775)	(10,670,774)	(8,984,437)

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
As at 1 April 2012	2	(15,560,102)	(15,560,100)
Profit and total comprehensive income for the year	—	1,488,317	1,488,317
As at 31 March 2013	2	(14,071,785)	(14,071,783)
Profit and total comprehensive income for the year	—	3,388,224	3,388,224
As at 31 March 2014	2	(10,683,561)	(10,683,559)
Profit and total comprehensive income for the year	—	434,784	434,784
As at 31 March 2015	2	(10,248,777)	(10,248,775)
Profit and total comprehensive income for the three months ended 30 June 2015	—	1,264,338	1,264,338
As at 30 June 2015	<u>2</u>	<u>(8,984,439)</u>	<u>(8,984,437)</u>
For the three months ended 30 June 2014 (unaudited)			
As at 1 April 2014	2	(10,683,561)	(10,683,559)
Profit and total comprehensive income for the three months ended 30 June 2014	—	12,785	12,785
As at 30 June 2014	<u>2</u>	<u>(10,670,776)</u>	<u>(10,670,774)</u>

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Three months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit for the Relevant Periods	10	1,488,317	3,388,224	434,784	12,785	1,264,338
Adjustments for:						
Interest expenses		308,431	307,547	308,642	76,759	77,043
Gain on changes in fair value of investment property	12	(1,500,000)	(3,400,000)	(430,000)	—	(1,250,000)
Operating cash flows before movements in working capital		296,748	295,771	313,426	89,544	91,381
Decrease (increase) in prepayments		581	(1,251)	—	417	417
Increase in accrued charge		—	5,000	—	—	—
Increase in rental deposits received		—	12,000	—	—	—
Net cash from operating activities		297,329	311,520	313,426	89,961	91,798
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from (repayment to) ultimate holding company		15,400	47,946	251,495	(387)	(231,200)
Advance from (repayment to) a fellow subsidiary		11,088	(5,720)	3,272	(5,368)	(8,640)
Interest paid		(308,431)	(307,547)	(308,642)	(76,759)	(77,043)
Net cash used in financing activities		(281,943)	(265,321)	(53,875)	(82,514)	(316,883)
Net increase (decrease) in cash and cash equivalents		15,386	46,199	259,551	7,447	(225,085)
Cash and cash equivalents at beginning of the Relevant Periods		32,931	48,317	94,516	94,516	354,067
Cash and cash equivalents at end of the Relevant Periods, represented by bank balance		48,317	94,516	354,067	101,963	128,982

II. NOTES ON THE FINANCIAL INFORMATION**1. GENERAL**

The Target Company is a private limited company incorporated in Hong Kong and its immediate holding company is Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Islands. The Target Company's ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Target Company is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Target Company is engaged in property holding.

The Financial Information are presented in Hong Kong dollars ("HK\$" or "HKD"), which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Target Company had given careful considerations to the future liquidity of the Target Company in light of the fact that as at 31 March 2013, 31 March 2014, 31 March 2015 and 30 June 2015, the Target Company has net capital deficit position and its current liabilities exceeded its current assets by approximately HK\$20,671,783, HK\$20,683,559, HK\$20,678,775 and HK\$20,664,437, respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and connected transaction, the directors of the Target Company are confident that the Target Company will be able to meet its financial obligations when they fall due in foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2014.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ³

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared under the historical cost basis except for investment properties, which are measured at fair value, and have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKSA 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Revenue recognition

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

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the Relevant Periods in which they are incurred.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the Relevant Periods in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the Relevant Periods in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including rental deposits received and amounts due to group companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Impairment

At the end of each of the Relevant Periods, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Target Company as lessor

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profits differs from profit before taxation as reported in the statements of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax

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

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the Relevant Periods

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Target Company's investment properties portfolios and concluded that while the Target Company's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Company's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

Changes in the management assessment could impact whether the Target Company rebuts the presumption to recover the investment properties measured under fair value model through sale and therefore future deferred tax charge or credit could be revised.

Key sources of estimation uncertainty***Investment properties***

Some of the Target Company's assets are measured at fair value for financial reporting purposes. The Target Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Target Company's investment properties, the Target Company uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Target Company engages third party qualified valuers to perform the valuation of the Target Company's investment properties. At the end of each of the Relevant Periods, the management works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target Company will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Target Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors. Information about the valuation techniques and inputs used in determining the fair value of the Target Company's investment properties is disclosed in note 12.

6. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes amount due to ultimate holding company and amount due to a fellow subsidiary as disclosed in notes 13 and 14 respectively, cash and cash equivalents and equity attributable to owners of the Target Company.

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

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Financial assets					
Loans and receivables (including cash and cash equivalents)					
— Bank balance	48,317	94,516	354,067	101,963	128,982
Financial liabilities					
Amortised cost					
— Rental deposits received	84,000	96,000	96,000	96,000	96,000
— Amount due to ultimate holding company	20,610,012	20,657,958	20,909,453	20,657,571	20,678,253
— Amount due to a fellow subsidiary	11,088	5,368	8,640	—	—
	<u>20,705,100</u>	<u>20,759,326</u>	<u>21,014,093</u>	<u>20,753,571</u>	<u>20,774,253</u>

Financial risk management objectives and policies

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

Credit risk

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

Liquidity risk

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

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

Liquidity and interest rate risk table

	Weighted average effective interest rate %	On demand HK\$	Three months to one year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<u>As at 30 June 2015</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	96,000	96,000	96,000
Amount due to ultimate holding company	1.5	20,678,253	—	20,678,253	20,678,253
		<u>20,678,253</u>	<u>96,000</u>	<u>20,774,253</u>	<u>20,774,253</u>
<u>As at 31 March 2015</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	96,000	96,000	96,000
Amount due to ultimate holding company	1.5	20,909,453	—	20,909,453	20,909,453
Amount due to a fellow subsidiary	—	8,640	—	8,640	8,640
		<u>20,918,093</u>	<u>96,000</u>	<u>21,014,093</u>	<u>21,014,093</u>
<u>As at 31 March 2014</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	96,000	96,000	96,000
Amount due to ultimate holding company	1.5	20,657,958	—	20,657,958	20,657,958
Amount due to a fellow subsidiary	—	5,368	—	5,368	5,368
		<u>20,663,326</u>	<u>96,000</u>	<u>20,759,326</u>	<u>20,759,326</u>
<u>As at 31 March 2013</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	84,000	84,000	84,000
Amount due to ultimate holding company	1.5	20,610,012	—	20,610,012	20,610,012
Amount due to a fellow subsidiary	—	11,088	—	11,088	11,088
		<u>20,621,100</u>	<u>84,000</u>	<u>20,705,100</u>	<u>20,705,100</u>
<u>As at 30 June 2014 (unaudited)</u>					
Non-derivative financial liabilities					
Rental deposits received	—	—	96,000	96,000	96,000
Amount due to ultimate holding company	1.5	20,657,571	—	20,657,571	20,657,571
		<u>20,657,571</u>	<u>96,000</u>	<u>20,753,571</u>	<u>20,753,571</u>

Fair value

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

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

8. TURNOVER

Turnover represents rental income received or receivable from property leasing in Hong Kong during the Relevant Periods.

9. FINANCE COSTS

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Interest on amount due to ultimate holding company	308,431	307,547	308,642	76,759	77,043

(Unaudited)

10. PROFIT FOR THE RELEVANT PERIODS

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Profit for the Relevant Periods has been arrived at after charging:					
Auditor's remuneration	15,000	25,000	20,000	—	—
Directors' remuneration	—	—	—	—	—
and after crediting:					
Gross rental income from investment properties	336,000	352,000	384,000	96,000	96,000
Less: Direct operating expenses from investment properties that generated rental income	(11,628)	(17,615)	(31,560)	(5,639)	(3,802)
	324,372	334,385	352,440	90,361	92,198

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information for each of the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 as the Target Company incurred tax losses during these Relevant Years.

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2015 and the three months ended 30 June 2014 as the estimated assessable profits were wholly absorbed by tax losses brought forward.

Taxation for the Relevant Periods can be reconciled to the results per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)				
Profit before taxation	1,488,317	3,388,224	434,784	12,785	1,264,338
Tax charge of Hong Kong Profits Tax at 16.5% (2014 and 2013: 16.5%)	245,572	559,057	71,739	2,110	208,616
Tax effect of income not taxable for tax purposes	(247,500)	(561,000)	(70,950)	—	(206,250)
Tax effect of tax losses not recognised	4,145	4,161	1,429	—	—
Tax effect of tax losses utilised	—	—	—	(1,555)	(1,811)
Others	(2,217)	(2,218)	(2,218)	(555)	(555)
Taxation for the Relevant Periods	—	—	—	—	—

At 31 March 2015, the Target Company had unused tax losses of approximately HK\$384,000 (2014: HK\$376,000; 2013: HK\$350,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

At 30 June 2015, the Target Company had unused tax losses of approximately HK\$373,000 (30 June 2014: HK\$366,000) available for offset against future profits. The loss can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams.

12. INVESTMENT PROPERTIES

HK\$

FAIR VALUE

As at 1 April 2012	5,100,000
Increase in fair value recognised in profit or loss	<u>1,500,000</u>
As at 31 March 2013	6,600,000
Increase in fair value recognised in profit or loss	<u>3,400,000</u>
As at 31 March 2014	10,000,000
Increase in fair value recognised in profit or loss	<u>430,000</u>
As at 31 March 2015	10,430,000
Increase in fair value recognised in profit or loss	<u>1,250,000</u>
As at 30 June 2015	<u><u>11,680,000</u></u>
FAIR VALUE (unaudited)	
At 1 April 2014	10,000,000
Increase in fair value recognised in profit or loss	<u>—</u>
At 30 June 2014	<u><u>10,000,000</u></u>

The fair values of the Target Company's investment properties at 31 March 2013, 31 March 2014 and 31 March 2015 were arrived at on the basis of valuation carried out at those dates by Vigers Appraisal and Consulting Limited, a firm of independent qualified professional property valuers not connected with the Target Company. Vigers Appraisal and Consulting Limited is a member of the Hong Kong Institute of Surveyors.

The fair value of the Target Company's investment properties at 30 June 2015 was arrived at on the basis of valuation carried out at that date by Knight Frank Petty Limited, a firm of independent qualified professional property valuers not connected with the Target Company. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors.

All of the Target Company's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises properties situated on:

	As at 31 March			As at 30 June	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
Land in Hong Kong under medium-term lease	<u>6,600,000</u>	<u>10,000,000</u>	<u>10,430,000</u>	<u>10,000,000</u>	<u>11,680,000</u>

(Unaudited)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Target Company	:	Industrial units in Hong Kong				
Fair value	:	As at 31 March			As at 30 June	
		2013	2014	2015	2014	2015
		HK\$	HK\$	HK\$	HK\$	HK\$
					(Unaudited)	
		6,600,000	10,000,000	10,430,000	10,000,000	11,680,000
Fair value hierarchy	:	Level 3				
Valuation techniques and key inputs	:	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.				
Significant unobservable inputs	:	Price per square foot, using market direct comparables and taking into account of location and other individual factors such as age of building and size of property etc., which is per square foot of HK\$2,215, HK\$3,355 and HK\$3,499 as at 31 March 2013, 31 March 2014 and 31 March 2015 respectively and HK\$3,918 as at 30 June 2015 (30 June 2014: HK\$3,355).				
Sensitivity	:	The higher the price per square foot, the higher the fair value.				

13. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

During the Relevant Periods, the amount is unsecured, bearing interest at a fixed rate of 1.5% per annum and repayable on demand.

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

The Target Company was incorporated in Hong Kong on 30 January 1996 with authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Two ordinary shares of the Target Company were issued and fully paid up at par upon incorporation.

The Target Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (Cap. 622) (ie. 3 March 2014).

16. OPERATING LEASE ARRANGEMENTS

At the end of each of the Relevant Periods, the Target Company had contracted with tenants for the following future minimum lease payments in respect of the investment properties under non-cancellable operating lease:

	As at 31 March			As at 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Within one year	224,000	384,000	256,000	384,000	160,000
In the second to fifth year inclusive	—	256,000	—	160,000	—
	<u>224,000</u>	<u>640,000</u>	<u>256,000</u>	<u>544,000</u>	<u>160,000</u>

Under the leases entered into by the Target Company, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2015, the properties held have committed tenants for a term of one year (2014: two years; and 2013: one year).

At 30 June 2015, the properties held have committed tenants for a term of one year (30 June 2014: two years).

17. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Target Company entered into the following transactions with related parties:

	Year ended 31 March			Three months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Agency fee to a fellow subsidiary	11,088	10,912	14,592	—	—
Interest to ultimate holding company	308,431	307,547	308,642	76,759	77,043
	<u>308,431</u>	<u>307,547</u>	<u>308,642</u>	<u>76,759</u>	<u>77,043</u>

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 30 June 2015.

19. EVENT AFTER THE RELEVANT PERIODS

On 6 August 2015, the immediate shareholder of the Target Company, Easyknit Properties Holdings Limited (“EPHL”), has entered into a sales and purchase agreement and the supplemental agreement with Fresh Smart Investments Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, that the Purchaser conditionally agreed to acquire and EPHL has conditionally agreed to sell the entire issued capital of the Target Company and amount due to Easyknit International Holdings Limited upon the terms contained therein. Upon completion of the proposed very substantial acquisition and connected transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Yours faithfully,
COSMOS CPA LIMITED
Certified Public Accountants

NG Lai Man Carmen
Practising Certificate Number P03518

Hong Kong
14 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS**Janson Properties Limited**

The following is the management discussion and analysis of the Target Company for the three years ended 31 March 2013, 2014 and 2015 and three months ended 30 June 2014 and 2015.

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

Property investments

Turnover from the property investments segment increased by 4.8% to HK\$352,000 for the year ended 31 March 2014 as compared to 2013 (2013: HK\$336,000).

Liquidity and financial resources

As at 31 March 2014, the Target Company had bank balances amounting to HK\$94,516 (2013: HK\$48,317). As at 31 March 2014, the Target Company's current ratio was 0.005 (2013: approximately 0.002) which was calculated on the basis of current assets of HK\$95,767 (2013: HK\$48,317) to current liabilities of HK\$20,779,326 (2013: HK\$20,720,100). During the year ended 31 March 2014, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$20,657,958 as at 31 March 2014 (2013: HK\$20,610,012).

Capital structure

During the year ended 31 March 2014, there was no change to the share capital of the Target Company.

As at 31 March 2014, the total number of issued ordinary shares of the Target Company was 2 (2013: 2 shares).

Charge on assets

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

Material acquisitions and disposals

During the year ended 31 March 2014, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

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

Capital expenditure and capital commitments

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

For the year ended 31 March 2015 as compared to the year ended 31 March 2014

Property investments

Turnover from the property investments segment increased by 9.1% to HK\$384,000 for the year ended 31 March 2015 (2014: HK\$352,000).

Liquidity and financial resources

As at 31 March 2015, total assets of the Target Group amounted to HK\$10,785,318 (2014: HK\$10,095,767). In terms of financial resources as at 31 March 2015, the Target Company's total bank balances was HK\$354,067 (2014: HK\$94,516).

The Target Company's current ratio was approximately 0.02 as at 31 March 2015 (2014: approximately 0.005) which was calculated on the basis of current assets of HK\$355,318 (2014: HK\$95,767) to current liabilities of HK\$21,034,093 (2014: HK\$20,779,326). During the year, the Target Company financed its operations primarily through loans from ultimate holding company.

The Target Company had an amount due to the ultimate holding company of approximately HK\$20,909,453 as at 31 March 2015 (2014: HK\$20,657,958).

Charge on assets

The Target Company did not have any charges on assets as at 31 March 2015.

Material acquisitions and disposals

During the year ended 31 March 2015, the Target Company has no material acquisitions and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 31 March 2015 (2014: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2015, the Target Company did not have any capital expenditure or capital commitments.

For the three months ended 30 June 2015 as compared to three months ended 30 June 2014

Property investments

Turnover from the property investments segment are the same at HK\$96,000 for the three months ended 30 June 2015 as compared to 2014.

Liquidity and financial resources

As at 30 June 2015, the Target Company had bank balances amounting to HK\$128,982 (2014: HK\$101,963). As at 30 June 2015, the Target Company's current ratio was 0.006 (2014: approximately 0.005) which was calculated on the basis of current assets of HK\$129,816 (2014: HK\$102,797) to current liabilities of HK\$20,794,253 (2014: HK\$20,773,571). During the three months ended 30 June 2015, the Target Company financed its operation primarily through loans from ultimate holding company.

The Target Company had amount due to the ultimate holding company, being Easyknit International, of approximately HK\$20,678,253 as at 30 June 2015 (2014: HK\$20,657,571).

Capital structure

During the three months ended 30 June 2015, there was no change to the share capital of the Target Company.

As at 30 June 2015, the total number of issued ordinary shares of the Target Company was 2 (2014: 2 shares).

Charge on assets

The Target Company did not have any charges on assets as at 30 June 2015.

Material acquisitions and disposals

During the three months ended 30 June 2015, the Target Company has no material acquisition and disposals.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 30 June 2015 (2014: nil).

Capital expenditure and capital commitments

During the three months ended 30 June 2015, the Target Company did not have any capital expenditure or capital commitments.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**Introduction**

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of the Enlarged Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the very substantial acquisition of the Target Companies (the “Very Substantial Acquisition”), the proposed capital reorganisation of the Company involving the share consolidation, capital reduction and authorised capital increase as detailed in the circular (the “Capital Reorganisation”), and the proposed Rights Issue as if the Very Substantial Acquisition, Capital Reorganisation and Rights Issue were completed on 31 March 2015 for the unaudited pro forma consolidated statement of financial position and as if the Very Substantial Acquisition, Capital Reorganisation and Rights Issue were completed on 1 April 2014 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Very Substantial Acquisition, Capital Reorganisation and Rights Issue been completed as at 31 March 2015 or at any future date or the results and cash flows of the Group for the year ended 31 March 2015 or for any future period.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2015 as disclosed in the 2015 annual report of the Company, and other financial information included elsewhere in the circular.

Unaudited pro forma consolidated statement of financial position of the Enlarged Group

The unaudited pro forma consolidated statement of financial position of the enlarged group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2015, which has been extracted from the annual report of the Company for the year ended 31 March 2015, after making the pro forma adjustments relating to the Very Substantial Acquisition, Capital Reorganisation and Rights Issue that are factually supportable, as explained in the notes below.

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2015, which have been extracted from the annual report of the Group for the year ended 31 March 2015, after making the pro forma adjustments relating to the Very Substantial Acquisition, Capital Reorganisation and Rights Issue, that are factually supportable, as explained in the notes below.

	The Group as at 31 March 2015	Golden Top Properties Limited as at 31 March 2015	Grow Well Profits Limited as at 31 March 2015	Janson Properties Limited as at 31 March 2015	Supertop Investment Limited and its subsidiary ("Supertop Group") as at 31 March 2015	The Target Companies as at 31 March 2015	Pro forma adjustments			The Enlarged Group as at 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Note 3)	(Note 4)	(Note 5)	
	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)				
Non-current assets										
Property, plant and equipment	637	—	—	—	—	—	—	—	—	637
Investment properties	924,510	28,500	136,043	10,430	57,330	232,303	—	—	—	1,156,813
Available-for-sale investments	17,152	—	—	—	—	—	—	—	—	17,152
Loans receivable	11,500	—	—	—	—	—	—	—	—	11,500
	<u>953,799</u>	<u>28,500</u>	<u>136,043</u>	<u>10,430</u>	<u>57,330</u>	<u>232,303</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,186,102</u>
Current assets										
Properties held for development for sale	560,914	—	—	—	—	—	—	—	—	560,914
Deposit for acquisition of property held for development for sale	84,848	—	—	—	—	—	—	—	—	84,848
Trade and other receivables	10,820	3	244	1	158	406	—	—	—	11,226
Bills receivable	869	—	—	—	—	—	—	—	—	869
Loans receivable	12,140	—	—	—	—	—	—	—	—	12,140
Investments held for trading	91,557	—	—	—	—	—	—	—	—	91,557
Bank balances and cash	204,234	979	6,097	354	312	7,742	—	297,531	(31,525)	477,982
	<u>965,382</u>	<u>982</u>	<u>6,341</u>	<u>355</u>	<u>470</u>	<u>8,148</u>	<u>—</u>	<u>297,531</u>	<u>(31,525)</u>	<u>1,239,536</u>

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UPON COMPLETION OF THE S&P AGREEMENT(S) AND THE RIGHTS ISSUE**

	The Group as at 31 March 2015 HK\$'000 (Audited) (Note 1)	Golden Top Properties Limited as at 31 March 2015 HK\$'000 (Audited) (Note 2)	Grow Well Profits Limited as at 31 March 2015 HK\$'000 (Audited) (Note 2)	Janson Properties Limited as at 31 March 2015 HK\$'000 (Audited) (Note 2)	Supertop Investment Limited and its subsidiary ("Supertop Group") as at 31 March 2015 HK\$'000 (Audited) (Note 2)	The Target Companies as at 31 March 2015 HK\$'000 (Audited) (Note 2)	Pro forma adjustments			The Enlarged Group as at 31 March 2015 HK\$'000
							HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Current liabilities										
Trade and other payables	26,272	320	716	116	389	1,541	—	—	—	27,813
Tax payable	6,909	—	187	—	—	187	—	—	—	7,096
Secured bank borrowings	146,140	—	—	—	—	—	—	—	—	146,140
Amount due to ultimate holding company	—	17,559	108,083	20,909	(33,895)	112,656	—	—	(112,656)	—
Amount due to a fellow subsidiary	—	27	—	9	34	70	—	—	—	70
	<u>179,321</u>	<u>17,906</u>	<u>108,986</u>	<u>21,034</u>	<u>(33,472)</u>	<u>114,454</u>	<u>—</u>	<u>—</u>	<u>(112,656)</u>	<u>181,119</u>
Net current assets (liabilities)	<u>786,061</u>	<u>(16,924)</u>	<u>(102,645)</u>	<u>(20,679)</u>	<u>33,942</u>	<u>(106,306)</u>	<u>—</u>	<u>297,531</u>	<u>81,131</u>	<u>1,058,417</u>
Total assets less current liabilities	<u>1,739,860</u>	<u>11,576</u>	<u>33,398</u>	<u>(10,249)</u>	<u>91,272</u>	<u>125,997</u>	<u>—</u>	<u>297,531</u>	<u>81,131</u>	<u>2,244,519</u>
Non-current liabilities										
Convertible note	11,153	—	—	—	—	—	—	—	—	11,153
Deferred tax liabilities	18,277	—	—	—	—	—	—	—	—	18,277
Secured bank borrowings	147,785	—	—	—	—	—	—	—	—	147,785
	<u>177,215</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177,215</u>
Net assets (liabilities)	<u><u>1,562,645</u></u>	<u><u>11,576</u></u>	<u><u>33,398</u></u>	<u><u>(10,249)</u></u>	<u><u>91,272</u></u>	<u><u>125,997</u></u>	<u><u>—</u></u>	<u><u>297,531</u></u>	<u><u>81,131</u></u>	<u><u>2,067,304</u></u>
Capital and reserves										
Share capital	253	—	—	—	—	—	(228)	10,634	—	10,659
Reserves	1,562,392	11,576	33,398	(10,249)	91,272	125,997	228	286,897	81,131	2,056,645
	<u><u>1,562,645</u></u>	<u><u>11,576</u></u>	<u><u>33,398</u></u>	<u><u>(10,249)</u></u>	<u><u>91,272</u></u>	<u><u>125,997</u></u>	<u><u>—</u></u>	<u><u>297,531</u></u>	<u><u>81,131</u></u>	<u><u>2,067,304</u></u>

Notes to unaudited pro forma consolidated statement of financial position

1. The figures are extracted from the audited consolidated statement of the financial position of the Group as at 31 March 2015, as set out in the published annual report of the Company for the year ended 31 March 2015.
2. The figures are extracted from the financial information of the Properties Group as at 31 March 2015 as set out in Appendix II of this circular relating to accountants' reports of the Target Companies.
3. The adjustments for the proposed Capital Reorganisation represent (i) a share consolidation pursuant to which every ten issued and unissued then existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each; (ii) the reduction of the nominal value of each issued consolidated share from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 paid up share capital for each consolidated share; (iii) the transfer of the credit arising from the reduction of share capital to the contributed surplus account of the Company and (iv) the transfer of any credit balance in the contributed surplus account of the Company to set off against accumulated losses of the Company, both of which amounted to approximately HK\$228,000.
4. The adjustments for the proposed Rights Issue represent (i) the assumed issuance of shares under the proposed Rights Issue of 1,063,437,940 rights shares of HK\$0.01 each at HK\$0.48 per Rights Share on the basis of twenty Rights Shares for every one Adjusted Share of the Company excluding any amount set off the consideration payable for the acquisition of the Target Companies from Easyknit International, and (ii) transaction costs attributable to issue of new shares amounting to approximately HK\$3,854,000, which will be settled by cash.
5. The adjustments for the purchase of Target Companies represent (i) the total consideration amounting to approximately HK\$240,000,000 for the entire issued share capital of the Target Companies, of which approximately HK\$209,065,000 payable to Easyknit International is set off against the amount receivable from Easyknit International for issuance of Right shares, resulting in HK\$30,935,000 being settled in cash; (ii) the exclusion of amount due to Easyknit International by the Target Companies on the basis that the total consideration included the purchase of the entire issued share capital of the Target Companies and the assignment to Easyknit Enterprises of the current accounts due by the Target Companies to Easyknit International and the current accounts will be assigned to the Company upon completion of the Very Substantial Acquisition under the terms agreed in the Supplemental Agreement; (iii) payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$590,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition and (iv) excess of the consideration over the net carrying value of the assets and liabilities of the Target Companies, amounting to approximately HK\$1,347,000 has been recognised in the retained earnings as the investment properties acquired are stated at their fair value as at 31 March 2015.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

	The Group for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 1)</i>	Golden Top Properties Limited for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Grow Well Profits Limited for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Janson Properties Limited for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Supertop Group for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	The Target Companies for the year ended 31 March 2015 <i>HK\$'000</i> (Audited) <i>(Note 2)</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note 3)</i> <i>HK\$'000</i> <i>(Note 4)</i>		The Enlarged Group for the year ended 31 March 2015 <i>HK\$'000</i>
Turnover	192,489	1,200	3,479	384	1,520	6,583	—	—	199,072
Cost of goods sold and services rendered	(155,172)	—	—	—	—	—	—	—	(155,172)
Gross profit	37,317	1,200	3,479	384	1,520	6,583	—	—	43,900
Other income	9,254	—	—	—	6	6	—	—	9,260
Other gains and losses	176	—	—	—	—	—	—	—	176
Other expenses	(1,621)	—	—	—	—	—	(590)	—	(2,211)
Distribution and selling expenses	(4,582)	—	—	—	—	—	—	—	(4,582)
Administrative expenses	(31,181)	(218)	(10,127)	(70)	(444)	(10,859)	—	8,326	(33,714)
(Loss) gain on changes in fair value of investment properties	(8,155)	1,800	(23,311)	430	2,510	(18,571)	—	—	(26,726)
Gain on fair value changes of investments held for trading	40,040	—	—	—	—	—	—	—	40,040
Gain on fair value changes of financial assets designated as at fair value through profit or loss	411	—	—	—	—	—	—	—	411
Finance costs	(6,541)	(913)	—	(309)	—	(1,222)	—	—	(7,763)
Profit (loss) before taxation	35,118	1,869	(29,959)	435	3,592	(24,063)	(590)	8,326	18,791
Taxation	(4,032)	—	(95)	—	—	(95)	—	—	(4,127)
Profit (loss) for the year attributable to owners of the Company	31,086	1,869	(30,054)	435	3,592	(24,158)	(590)	8,326	14,664

	Golden Top The Group for the year ended 31 March 2015 HK\$'000 (Audited) (Note 1)	Grow Well Profits Limited for the year ended 31 March 2015 HK\$'000 (Audited) (Note 2)	Janson Properties Limited for the year ended 31 March 2015 HK\$'000 (Audited) (Note 2)	Supertop Group for the year ended 31 March 2015 HK\$'000 (Audited) (Note 2)	The Target Companies for the year ended 31 March 2015 HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Note 3) (Note 4)		The Enlarged Group for the year ended 31 March 2015 HK\$'000	
Other comprehensive income (expense)									
Items that may be reclassified subsequently to profit or loss:									
Change in fair value of available-for-sale investments	(533)	—	—	—	—	—	—	(533)	
Exchange differences arising on translation of financial statements of foreign operations	576	—	(3,588)	—	(3,588)	—	—	(3,012)	
Other comprehensive income (expense) for the year	43	—	(3,588)	—	(3,588)	—	—	(3,545)	
Total comprehensive income for the year attributable to owners of the Company	<u>31,129</u>	<u>1,869</u>	<u>(33,642)</u>	<u>435</u>	<u>3,592</u>	<u>(27,746)</u>	<u>(590)</u>	<u>8,326</u>	<u>11,119</u>

Notes to unaudited pro forma consolidated statement of profit or loss and other comprehensive income

- The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2015, as set out in the published annual report of the Company for the year ended 31 March 2015.
- The figures are extracted from financial information of the Properties Group for the year ended 31 March 2015 as set out in Appendix II of this circular relating to accountants' reports of the Target Companies.
- The adjustment represents payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$590,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition as the investment properties acquired are stated at their fair values as at 31 March 2015.
- The adjustment reflects the exclusion of foreign exchange difference from ultimate holding company, on the assumption that the ultimate holding company balance had been assigned to the Company upon completion of the Very Substantial Acquisition.
- No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The	Golden	Grow	Janson	Supertop	The	Pro forma adjustments			The
	Group	Top	Well	Properties	Group	Target				Enlarged
	for the	Properties	Profits	for the	for the	Companies				Group
	year ended	for the	for the	for the	for the	for the				for the
	31 March	year ended	year ended	year ended	year ended	year ended				year ended
	2015	31 March	31 March	31 March	31 March	31 March				31 March
	(Audited)	2015	2015	2015	2015	2015				2015
	HK\$ '000	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
Operating activities										
Profit before taxation	35,118	1,869	(29,959)	435	3,592	(24,063)	—	(590)	8,326	18,791
Adjustments for:										
Interest income	(5,565)	—	—	—	(4)	(4)	—	—	—	(5,569)
Interest expense	6,541	913	—	309	—	1,222	—	—	—	7,763
Depreciation	152	—	—	—	—	—	—	—	—	152
Unrealised gain on fair value changes of investments held for trading	(32,247)	—	—	—	—	—	—	—	—	(32,247)
Dividend income from listed investments	(3,447)	—	—	—	—	—	—	—	—	(3,447)
Gain on disposal of property, plant and equipment	(13)	—	—	—	—	—	—	—	—	(13)
Gain on fair value change of financial assets designated as at fair value through profit or loss	(411)	—	—	—	—	—	—	—	—	(411)
Foreign exchange difference from inter-company balance	—	—	8,326	—	—	8,326	—	—	(8,326)	—
Loss (gain) on fair value changes of investment properties	8,155	(1,800)	23,311	(430)	(2,510)	18,571	—	—	—	26,726
Operating cash flows before movements in working capital	8,283	982	1,678	314	1,078	4,052	—	(590)	—	11,745
Increase in trade and other receivables	(1,318)	—	(13)	—	(98)	(111)	—	—	—	(1,429)
Increase in bills receivable	(869)	—	—	—	—	—	—	—	—	(869)
Increase in loans receivable	(6,140)	—	—	—	—	—	—	—	—	(6,140)
Decrease in investments held for trading	27,592	—	—	—	—	—	—	—	—	27,592
(Decrease) increase in trade and other payables	(982)	—	17	—	105	122	—	—	—	(860)
Increase in amount due to a fellow subsidiary	—	—	—	—	15	15	—	—	—	15
Cash from operations	26,566	982	1,682	314	1,100	4,078	—	(590)	—	30,054
Dividend received from investments	3,447	—	—	—	—	—	—	—	—	3,447
Tax paid	—	—	(199)	—	—	(199)	—	—	—	(199)

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UPON COMPLETION OF THE S&P AGREEMENT(S) AND THE RIGHTS ISSUE**

	The Group for the year ended 31 March 2015 (Audited) HK\$'000 (Note 1)	Golden Top Properties Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Grow Well Profits Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Janson Properties Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Supertop Group for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	The Target Companies for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Pro forma adjustments			The Enlarged Group for the year ended 31 March 2015 HK\$'000
							HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Net cash from operating activities	30,013	982	1,483	314	1,100	3,879	—	(590)	—	33,302
Investing activities										
Net cash outflow on acquisition of subsidiaries	(339,931)	—	—	—	—	—	—	—	—	(339,931)
Addition of investment properties	(287,686)	—	—	—	—	—	—	—	—	(287,686)
Addition of properties held for development for sale	(228,156)	—	—	—	—	—	—	—	—	(228,156)
Deposits and prepayments paid for acquisition of property held for development for sale	(77,725)	—	—	—	—	—	—	—	—	(77,725)
Purchase of available-for-sale investments	(1,546)	—	—	—	—	—	—	—	—	(1,546)
Purchase of property, plant and equipment	(183)	—	—	—	—	—	—	—	—	(183)
Redemption of financial assets designated as at fair value through profit or loss	29,033	—	—	—	—	—	—	—	—	29,033
Interest received	5,845	—	—	—	4	4	—	—	—	5,849
Proceeds from disposal of property, plant and equipment	13	—	—	—	—	—	—	—	—	13
Acquisition of the Target Companies	—	—	—	—	—	—	—	(25,805)	—	(25,805)
Net cash used in investing activities	(900,336)	—	—	—	4	4	—	(25,805)	—	(926,137)

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UPON COMPLETION OF THE S&P AGREEMENT(S) AND THE RIGHTS ISSUE**

	The Group for the year ended 31 March 2015 (Audited) HK\$'000 (Note 1)	Golden Top Properties Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Grow Well Profits Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Janson Properties Limited for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Supertop Group for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	The Target Companies for the year ended 31 March 2015 (Audited) HK\$'000 (Note 2)	Pro forma adjustments			The Enlarged Group for the year ended 31 March 2015 HK\$'000
							HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Financing activities										
Proceeds from issue of new shares	361,312	—	—	—	—	—	301,385	—	—	662,697
Bank borrowing raised	139,000	—	—	—	—	—	—	—	—	139,000
Bank borrowings repaid	(6,977)	—	—	—	—	—	—	—	—	(6,977)
Interest paid	(6,034)	(913)	—	(309)	—	(1,222)	—	—	—	(7,256)
Transaction costs attributable to issue of new shares	(2,330)	—	—	—	—	—	(3,854)	—	—	(6,184)
Net cash inflow from ultimate holding company	—	630	—	—	—	630	—	—	(630)	—
Net cash inflow from a fellow subsidiary	—	9	—	—	—	9	—	—	—	9
Advance from (to) ultimate holding company	—	—	159	251	(1,114)	(704)	—	—	704	—
Advance from a fellow subsidiary	—	—	—	3	—	3	—	—	—	3
Net cash from financing activities	484,971	(274)	159	(55)	(1,114)	(1,284)	297,531	—	74	781,292
Net decrease in cash and cash equivalents	(385,352)	708	1,642	259	(10)	2,599	297,531	(26,395)	74	(111,543)
Cash and cash equivalents at beginning of the year	589,458	—	—	—	—	—	—	—	—	589,458
Effect of foreign exchange rate changes	128	—	13	—	—	13	—	—	—	141
Cash and cash equivalents at end of the year, represented by bank balances and cash	204,234									478,056

Notes to unaudited pro forma consolidated statement of cash flows

1. The figures are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 March 2015, as set out in the published annual report of the Company for the year ended 31 March 2015.
2. The figures are extracted from the financial information of the Properties Group for the year ended 31 March 2015 as set out in Appendix II of this circular relating to accountants' reports of the Target Companies.
3. The adjustment represents (i) the assumed issuance of shares under the proposed Rights Issue of 1,063,437,940 rights shares of HK\$0.01 each at HK\$0.48 per Rights Share on the basis of twenty Rights Shares for every one Adjusted Share of the Company, of which gross proceeds of HK\$209,065,000 payable by Easyknit International to Easyknit Enterprises is not presented in the unaudited pro forma financial statements of the Group as it is set off against the consideration payable by Easyknit Enterprises for the acquisition of the Target Companies pursuant to the S&P Agreement, and (ii) transaction costs attributable to issue of new shares amounting to HK\$3,854,000, which will be settled by cash.
4. The adjustments represent (i) payment of the estimated transaction costs attributable to the Very Substantial Acquisition of approximately HK\$590,000, which will be recognised in profit or loss upon completion of the Very Substantial Acquisition and (ii) pro forma net cash outflows of the Very Substantial Acquisition is approximately HK\$25,805,000 which represents the consideration payable to Easyknit International, net of proceeds of HK\$209,065,000 as mentioned in note 3, of approximately HK\$30,935,000 less the cash and cash equivalents of the Target Companies acquired as at 1 April 2014 of approximately HK\$5,130,000 assuming the Very Substantial Acquisition had been taken place on 1 April 2014.
5. The adjustment reflects the exclusion of change in amount due to the Enlarged Group by the Target Companies on the assumption that the current accounts with ultimate holding company had been assigned to the Company on 1 April 2014.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**Deloitte.**
德勤德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2015, the pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2015, the pro forma consolidated statement of cash flows for the year ended 31 March 2015 and related notes as set out on pages III-1 to III-10 of the circular issued by the Company dated 14 September 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 to III-10 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the proposed very substantial acquisition of Golden Top Properties Limited, Grow Well Profits Limited, Janson Properties Limited and Supertop Investment Limited and its subsidiary (hereinafter referred to as “Target Companies”) (the “Very Substantial Acquisition”), (ii) the proposed capital reorganisation of the Company involving the share consolidation, capital reduction and authorised capital increase as detailed in the Circular (the “Capital Reorganisation”), and (iii) the proposed rights issue of 1,063,437,940 rights shares of HK\$0.01 each at HK\$0.48 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 financial position as at 31 March 2015 and the Group’s financial performance and cash flows for the year ended 31 March 2015 as if the Very Substantial Acquisition, Capital Reorganisation and the Rights Issue had taken place at 31 March 2015 and 1 April 2014, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2015, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' 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 accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Very Substantial Acquisition, Capital Reorganisation and the Rights Issue at 31 March 2015 or 1 April 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 accountants' judgment, having regard to the reporting accountants' 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

14 September 2015

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debeham Tie Leung (SEA) Pte Ltd, an independent valuer, in connection with their valuation of the Singapore Properties as at 21 July 2015.



DTZ Debeham Tie Leung (SEA) Pte Ltd
100 Beach Road #35-00 Shaw Tower
Singapore 189702
Tel: +65 6293 3228
Fax: +65 6298 9328
www.dtz.com/sg
Co Reg No: 199501391G

The Directors
Easyknit International Holdings Limited
Easyknit Enterprises Holdings Limited
Block A, 7/F.,
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan, Kowloon
Hong Kong

14 September 2015

Dear Sirs,

**PROPERTY VALUATION FOR SINGAPORE PROPERTIES
IN SINGAPORE AS AT 21 JULY 2015**

VALUATION REPORT FOR : GROW WELL PROFITS LIMITED

- 1. Purpose of Valuation** : To determine the current market value of the subject properties for public announcement.
- 2. Address of Property** ; 15 Ardmore Park #04-03, #06-04 & #18-02
Ardmore Park Singapore 259959
- 3. Date of Inspection** : Internal inspection was conducted by Jean Huang, a licensed appraiser with more than 5 years experiences, on 13 July 2015 and 21 July 2015.

4. Details of Property

Type : 3 units of 4-bedroom apartments located on the 4th, 6th, and 18th storey of a 30-storey block within Ardmore Park, a condominium development.

Age : Approximately 14 years.

Condition : Good.

Orientation : The living area faces south-east (for #04-03 & #06-04) and north-west (for #18-02).

5. Title and Tenure

Unit No	Legal Description (Town Subdivision 25)	Strata Floor Area (sq.m.)	Share in Common Property
#04-03	U3594X	268.0	5/1,680
#06-04	U3568V	268.0	5/1,680
#18-02	U3635X	268.0	5/1,680

Tenure : Freehold.

Registered Proprietor : Grow Well Profits Limited.

Encumbrance : Nil.

6. Town Planning

Master Plan Zoning (2014 Edition) : Residential.

7. The Subject Development

Ardmore Park is a condominium development located along Ardmore Park, off Scotts Road and approximately 6 km from the city centre at Raffles Place. The immediate locality is an exclusive and prestigious residential area comprising mainly condominium/apartment developments such as Juniper at Ardmore, The Claymore, Ardmore II and JC Draycott amongst many others. It is also in close proximity to both Orchard Road and Scotts Road, the prime shopping belt in Singapore where shopping centres such as Orchard Towers, Palais Renaissance, Shaw Centre, Ion Orchard and Far East Plaza are located. In addition, it is within walking distance to established clubs like The Tanglin Club and The American Club.

The subject development comprises a total of 324 units of apartment with a standard size of about 268 sq.m. and 6 penthouses with a standard size of about 812 sq.m. housed in three 30-storey blocks. Access to the upper storeys within each block is facilitated by lifts and staircases.

Facilities provided include landscape gardens, swimming pool, children's pool, jacuzzi, 2 tennis courts, putting green, children's playground, pavilion, function/multi-purpose rooms, gymnasium, changing rooms, water garden, koi pond, jogging track and fitness area and ample basement carpark. In addition, CCTV security system are installed at strategic locations within the development and an advanced electronic access system are also provided. Each apartment is provided with home security and audio-video intercom systems.

8. The Subject Property

The accommodation and finishes of the subject property are as follows:

Accommodation	Finishes	Others
#04-03		
Private lift foyer	marble slabs to floor and walls with false ceiling/downlights	—
Living/dining areas	marble flooring with false ceiling/downlights	built-in shelves
Balcony	marble flooring	—
Powder room	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets
Master bedroom	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls to false ceiling height	vanity top with low-level cabinets/shower enclosure/long bath
Bedrooms 2 & 3	timber strip flooring with false ceiling/downlights	built-in wardrobes
each with an Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/shower enclosure
Bedroom 4	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/long bath
Kitchen	homogeneous tiled floor and walls with false ceiling/downlights	high/low-level kitchen cabinets with cooker hob/ hood/ oven/sink/microwave oven/dishwasher
Yard	homogeneous tiled floor and walls with false ceiling/downlights	sink support with low-level cabinets
Maid's room	homogeneous tile flooring with false ceiling/downlights	built-in cabinets/bed and wall fan
Toilet	homogeneous tiled floor and walls with false ceiling/downlights	—
Store	homogenous tile flooring with false ceiling/downlights	built-in shelves
Others	—	ducted system/water-heaters

Accommodation	Finishes	Others
#06-04		
Private lift foyer	marble slabs to floor and walls with false ceiling/downlights	—
Living/dining areas	marble flooring with false ceiling/downlights	built-in shelves
Balcony	marble flooring	—
Powder room	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets
Master bedroom	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls to false ceiling height	vanity top with low-level cabinets/shower enclosure/long bath
Bedrooms 2 & 3	timber strip flooring with false ceiling/downlights	built-in wardrobes
each with an Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/shower enclosure
Bedroom 4	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/long bath
Kitchen	homogeneous tiled floor and walls with false ceiling/downlights	high/low-level kitchen cabinets with cooker hob/ hood/ oven/sink/microwave oven/dishwasher
Yard	homogeneous tiled floor and walls with false ceiling/downlights	sink support with low-level cabinets
Maid's room	homogeneous tile flooring with false ceiling/downlights	built-in cabinets/bed and wall fan
Toilet	homogeneous tiled floor and walls with false ceiling/downlights	—
Store	homogenous tile flooring with false ceiling/downlights	built-in shelves
Others	—	ducted system/water-heaters

Accommodation	Finishes	Others
#18-02		
Private lift foyer	marble slabs to floor and walls with false ceiling/downlights	—
Living/dining areas	marble flooring with false ceiling/downlights	built-in shelves
Balcony	marble flooring	—
Powder room	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets
Master bedroom	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls to false ceiling height	vanity top with low-level cabinets/shower enclosure/long bath
Bedrooms 2 & 3	timber strip flooring with false ceiling/downlights	built-in wardrobes
each with an Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/shower enclosure
Bedroom 4	timber strip flooring with false ceiling/downlights	built-in wardrobes
Attached bathroom	marble slabs to floor and walls with false ceiling/downlights	vanity top with low-level cabinets/long bath
Kitchen	homogeneous tiled floor and walls with false ceiling/downlights	high/low-level kitchen cabinets with cooker hob/ hood/ oven/sink/microwave oven/dishwasher
Yard	homogeneous tiled floor and walls with false ceiling/downlights	sink support with low-level cabinets
Maid's room	homogeneous tile flooring with false ceiling/downlights	built-in cabinets/bed and wall fan
Toilet	homogeneous tiled floor and walls with false ceiling/downlights	—
Store	homogenous tile flooring with false ceiling/downlights	built-in shelves
Others	—	ducted system/water-heaters

9. **Tenancy Details** : We were informed that the subject properties are currently tenanted. The tenancy details are as follows:

Unit No.	Commencement Date	Tenancy Period	Monthly Gross Rental
#04-03	1/06/2015	2 years	S\$16,000/-
#06-04	25/07/2014	2 years	S\$17,000/-
#18-02	01/12/2013	2 years	S\$17,000/-

10. **Other Details** : Unless otherwise instructed, we do not normally carry out requisitions with the various public authorities to confirm whether the subject properties are affected by any public schemes such as road improvements. If assurance is required, we recommend that verification be obtained from your lawyers.

11. **Basis of Valuation** : Our opinion of the market value of the subject properties in their existing continued use is arrived at by direct comparison with recent transactions of comparable properties within the vicinity. Necessary adjustments have been made for differences in location, tenure, size, shape, design and layout, age and condition of buildings, availability of facilities, dates of transactions and the prevailing market conditions amongst other factors affecting its value.

12. **Valuation**

Having regard to all relevant information, we are of the opinion that the current market value of the subject properties, free from all encumbrances, are as follows:

Unit No	Current Market Value
#04-03	S\$7,850,000/-
#06-04	S\$7,900,000/-
#18-02	S\$8,300,000/-
Total	S\$24,050,000/- (Singapore Dollars Twenty-Four Million And Fifty Thousand)

13. Limiting Conditions

Please see attached.

for and on behalf of

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD

Nicholas Cheng

Executive Director

Valuation Advisory Services

BSc (Est Mgt) MSISV

(Appraiser's Licence No: AD041-2004055B)

for and on behalf of

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD

Jean Huang

Manager (Special Projects)

Valuation Advisory Services

BSc (Land Mgt) Hons MSISV

(Appraiser's Licence No: AD041-2009748D)

The following is the text of a letter and valuation certificate prepared for the purpose of the incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation of the ST Properties, GT Property and Janson Property as at 30 June 2015.



Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

T +852 2840 1177

F +852 2840 0600

www.knightfrank.com.hk

14 September 2015

The Directors
Easyknit International Holdings Limited
Easyknit Enterprises Holdings Limited
Block A, 7/F.,
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon, Hong Kong

Dear Sirs

**PROPERTY VALUATION FOR VARIOUS PROPERTIES IN HONG KONG AS AT
30 JUNE 2015**

In accordance with the instructions from Easyknit Enterprises Holdings Limited (the “Company”) for us to value the Properties which are to be acquired by the Company and its subsidiaries (hereinafter collectively referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30 June 2015 (“Valuation Date”) for the purpose of disclosure in a public circular.

DEFINITION OF MARKET VALUE

In arriving at our opinion of market value, we have followed the HKIS Valuation Standards (2012 Edition) issued by the Hong Kong Institute of Surveyors (HKIS). Under the said standards, Market Value is defined as:—

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of an asset or liability is also estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In undertaking the valuation, we have regarded the requirements contained in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

VALUATION METHODOLOGY

As advised by the Company, the Properties are currently held for investment purpose and our valuation is prepared by “Direct Comparison Approach” with reference to sales evidence as available in the market.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Properties by obtaining sample land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Properties were free from encumbrances, restrictions, title defects and outgoing of an onerous nature that could affect their values, unless stated otherwise as at the Valuation Date.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancies, incomes, floor areas and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Properties, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We inspected the external of the Properties in July 2015. The inspection was undertaken by our Mr Colin Tang, the Manager and our Mr Ricky Chow, the Assistant Manager of General Valuation Department. Nevertheless, we have assumed in our valuation that the Properties were in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the Valuation Date.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Properties, identified by the property addresses in your instructions, are the properties inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the properties to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Properties on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Properties are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Properties valued had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

We herein enclose our summary of valuation and the valuation.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Thomas H M Lam
FRICS MHKIS MCIREA MHKSI RPS(GP) RICS
Registered Valuer
*Senior Director, Head of Valuation &
Consultancy*

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Catherine Cheung
MRICS MHKIS RPS(GP)
Director, General Valuation

Notes: Thomas H M Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region (ex-Japan).

Catherine Cheung, MRICS MHKIS RPS(GP), has been a qualified valuer with Knight Frank since 1992 and has over 20 years' experience in the valuation of properties in Hong Kong.

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SUMMARY OF VALUATION

Property	Market value in existing state as at 30 June 2015
1. 2nd Floor of Nos 790, 792 and 794 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon	HK\$11,680,000
2. 6th Floor of Nos 650-652 Castle Peak Road and No 18A Wing Hong Street, Cheung Sha Wan, Kowloon	HK\$29,800,000
3. House 9 (including garden, carport, flat roof & roof), Villa Castell, No 20 Yau King Lane, Tai Po, New Territories	HK\$14,900,000
4. Workshop Space B on 1st Floor, Fung Wah Factorial Building, Nos 646, 648, 648A Castle Peak Road, Cheung Sha Wan, Kowloon	HK\$6,880,000
5. Units 1 & 2 on 7th Floor of Block D and Car Parking Space No 46 on Lower Ground Floor, Shatin Heights, No 8003 Tai Po Road, Shatin, New Territories	HK\$14,400,000
6. Roof, No 20 Wing Hong Street, Cheung Sha Wan, Kowloon	HK\$970,000
7. 5th Floor, No 20 Wing Hong Street, Cheung Sha Wan, Kowloon	HK\$11,300,000
8. 3rd Floor, No 161 Wong Nai Chung Road, Happy Valley, Hong Kong	HK\$12,300,000
Total:	HK\$102,230,000 (Hong Kong Dollars One Hundred Two Million Two Hundred and Thirty Thousand)

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
<p>1. 2nd Floor of Nos 790, 792 and 794 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon</p> <p>1/7th share of and in The Remaining Portion of Sub-section 4 of Section B of New Kowloon Inland Lot No 3516, Subsection C of Sub-section 4 of Section B of New Kowloon Inland Lot No 3516 and Subsection D of Sub-section 4 of Section B of New Kowloon Inland Lot No 3516</p>	<p>The Property comprises three industrial units on the 2nd Floor of three contiguous 7-storey industrial buildings completed in about 1959 and situated in Cheung Sha Wan where the locality comprises mainly medium/high-rise industrial and commercial building.</p> <p>The Property has a total saleable area of 278.42 sq m (2,997 sq ft) approximately.</p> <p>The Property is held under Conditions of Sale No 4268 for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047.</p>	<p>As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term of 2 years commencing from 1 December 2013 at a monthly rent of HK\$32,000 inclusive of rates and management fees.</p>	<p>HK\$11,680,000</p>
	<p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>		

Notes:

- (1) The registered owner of the Property was Janson Properties Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Deed of Mutual Covenant vide memorial no UB300043 dated 20 June 1959 (Re: for 2/F of No 790 Cheung Sha Wan Road only).
 - ii. Deed of Mutual Covenant vide memorial no UB300042 dated 20 June 1959 (Re: for 2/F of No 792 Cheung Sha Wan Road only).
 - iii. Deed of Mutual Covenant vide memorial no UB300530 dated 20 June 1959 (Re: for 2/F of No 794 Cheung Sha Wan Road only).
 - iv. Waiver Letter from the Government of the Hong Kong Special Administrative Region by the District Lands Officer/Kowloon West vide Memorial No 10070601390017 dated 30 June 2010, which permits a portion of the premises on 2/F of Nos 792 and No 794 having an area not exceeding 143.09 sq m (1,540 sq ft) or thereabouts for the purpose of a canteen for the lifetime of the existing buildings.
- (3) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the approved Cheung Sha Wan Outline Zoning Plan No S/K5/35 dated 17 December 2013 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
2. 6th Floor of Nos 650-652 Castle Peak Road and No 18A Wing Hong Street, Cheung Sha Wan, Kowloon 4/40th shares of and in Section B of New Kowloon Inland Lot No 1750	<p>The Property comprises the whole of the 6th Floor of a 9-storey industrial building completed in about 1961 and situated in Cheung Sha Wan where the locality comprises mainly medium/high-rise industrial and commercial building.</p> <p>The Property has a saleable area of 790.97 sq m (8,514 sq ft) approximately.</p> <p>The Property is held under a Government Lease for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047.</p> <p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>	As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term of 2 years commencing from 16 August 2013 at a monthly rent of HK\$100,000 inclusive of rates and management fees.	HK\$29,800,000

Notes:

- (1) The registered owner of the Property was Golden Top Properties Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Letter by Registrar General (Land Office) approving on certain conditions the modification of Crown Lease vide Memorial No UB300027 dated 7 July 1959.
 - ii. Deed of Covenant vide memorial no UB344480 dated 12 June 1961.
- (3) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the approved Cheung Sha Wan Outline Zoning Plan No S/K5/35 dated 17 December 2013 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015															
3. House 9 (including garden, carport, flat roof & roof), Villa Castell, No 20 Yau King Lane, Tai Po, New Territories 45/3,050th shares of and in Tai Po Town Lot No 96	<p>The Property comprises a 3-storey semi-detached house within a private low-density residential development namely Villa Castell which was completed in 1992. The locality is predominated by low and medium rise residential developments.</p> <p>As per the developer's sales brochure, the Property has a gross floor area of 219.06 sq m (2,358 sq ft) or saleable area of 148.55 sq m (1,599 sq ft) or thereabout with the ancillary accommodations shown as follows:</p> <table data-bbox="608 1070 890 1257"> <thead> <tr> <th></th> <th>sq m</th> <th>sq ft</th> </tr> </thead> <tbody> <tr> <td>Carport</td> <td>54.44</td> <td>586</td> </tr> <tr> <td>Garden</td> <td>101.08</td> <td>1,088</td> </tr> <tr> <td>Roof</td> <td>26.38</td> <td>284</td> </tr> <tr> <td>Flat Roof</td> <td>2.51</td> <td>27</td> </tr> </tbody> </table> <p>The Property is held under New Grant No TP12439 for a term from 15 September 1988 to 30 June 2047.</p> <p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>		sq m	sq ft	Carport	54.44	586	Garden	101.08	1,088	Roof	26.38	284	Flat Roof	2.51	27	As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term of 2 years commencing from 23 December 2013 at a monthly rent of HK\$30,000 inclusive of rates and management fees.	HK\$14,900,000
	sq m	sq ft																
Carport	54.44	586																
Garden	101.08	1,088																
Roof	26.38	284																
Flat Roof	2.51	27																

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Modification Letter vide Memorial No TP319707 dated 7 February 1990.
 - ii. Modification Letter vide Memorial No TP356004 dated 6 February 1991.
 - iii. Permit to occupy a new building vide Memorial No TP399692 dated 2 July 1992.
 - iv. Letter of Compliance vide Memorial No TP399805 dated 11 August 1992.
 - v. Deed of Mutual Covenant vide Memorial No TP401571 dated 18 August 1992.
- (3) The Property was situated within an area zoned for “Residential (Group C)” uses under the draft Tai Po Outline Zoning Plan No S/TP/25 exhibited on 11 April 2014 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
4. Workshop Space B on 1st Floor, Fung Wah Factorial Building, Nos 646, 648, 648A Castle Peak Road, Cheung Sha Wan, Kowloon	The Property comprises a workshop unit on the 1st Floor of a 7-storey industrial building completed in 1970 and situated in Cheung Sha Wan where the locality comprises mainly medium/high-rise industrial and commercial building.	As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term of 2 years from 16 October 2013 at a monthly rent of HK\$13,000 inclusive of rates and management fees.	HK\$6,880,000
2/60th shares of and in the Remaining Portion of Section A of New Kowloon Inland Lot No 2213, Section D of New Kowloon Inland Lot No 2213, the Remaining Portion of New Kowloon Inland Lot No 2213 and Section E of New Kowloon Inland Lot No 2213	The Property has a saleable area of 178.09 sq m (1,917 sq ft) approximately. The Property is held under a Government Lease for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047. The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.		

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Deed of Covenant vide Memorial No UB751468 dated 6 July 1970.
 - ii. Sealed copy judgment under DCCJ 1459/2014 (Re: the part in green or any part thereof as per the Ground Floor plan annexed in the instrument) vide Memorial No 14090800830013 dated 22 July 2014.
- (3) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the approved Cheung Sha Wan Outline Zoning Plan No S/K5/35 dated 17 December 2013 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
<p>5. Units 1 & 2 on 7th Floor of Block D and Car Parking Space No 46 on Lower Ground Floor, Shatin Heights, No 8003 Tai Po Road, Shatin, New Territories</p> <p>47/2, 950th shares of and in Lot No 1510 in Demarcation District No 189</p>	<p>The Property comprises an enlarged residential unit on the 7th Floor of Block D of a private residential development namely Shatin Heights which comprises a total of eight 8-storey apartment blocks together with car parking spaces provided on the Lower Ground Floor. The development was completed in 1983. The locality is predominated by low and medium rise residential developments.</p>	<p>As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term expiring on 22 December 2015 at a monthly rent of HK\$24,000 inclusive of rates and management fees.</p>	<p>HK\$14,400,000</p>
	<p>The Property has a total gross floor area of approximately 223.71 sq m (2,408 sq ft) as per the developer's sales brochure.</p>		
	<p>The Property is held under New Grant No 9988 for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047.</p>		
	<p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>		

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Modification Letters vide vide Memorial No ST169222 dated 11 October 1971.
 - ii. Modification Letters vide vide Memorial No ST227638 dated 1 February 1983.
 - iii. Modification Letters vide vide Memorial No ST232236 dated 10 June 1983.
 - iv. Deed of Mutual Covenant vide Memorial No ST245278 dated 25 November 1983.
 - v. Letter (Certificate of Compliance) from District Office, Sha Tin vide Memorial No ST267075 dated 19 November 1981.
 - vi. Waiver Letter from District Lands Officer, Sha Tin vide Memorial No ST274988 dated 10 December 1984.
 - vii. Notice No WNZ/U24-21/0012/05 issued by the Building Authority under Section 24c(1) of the Buildings Ordinance vide Memorial No 10083102160101 dated 23 October 2009 (Re: Car parking space only).
- (3) The Property was situated within an area zoned for “Residential (Group B)” uses under the draft Sha Tin Outline Zoning Plan No S/ST/31 exhibited on 17 April 2015 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
6. Roof, No 20 Wing Hong Street, Cheung Sha Wan, Kowloon 1/25th share of and in Section B of New Kowloon Inland Lot No 2213	<p>The Property comprises the open roof of a 6-storey industrial building completed in about 1965 and situated in Cheung Sha Wan where the locality comprises mainly medium/high-rise industrial and commercial building.</p> <p>The Property has an area of approximately 270.34 sq m (2,910 sq ft).</p> <p>The Property is held under a Government Lease for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047.</p> <p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>	As advised by the Company, as at the Valuation Date, the Property together with the 5th Floor of the building was subject to a tenancy for a term of 3 years commencing from 1 June 2013 at a monthly rent of HK\$36,000 inclusive of rates and management fees.	HK\$970,000

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per the land search records:—
 - i. Deed of Mutual Covenant vide Memorial No UB472966 dated 11 January 1965.
 - ii. Notice No WNZ/U03-36/0001/05 issued by the Building Authority under Section 24c(1) of the Buildings Ordinance vide Memorial No 08071101000031 dated 21 July 2007.
- (3) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the approved Cheung Sha Wan Outline Zoning Plan No S/K5/35 dated 17 December 2013 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
7. 5th Floor, No 20 Wing Hong Street, Cheung Sha Wan, Kowloon 4/25th shares of and in Section B of New Kowloon Inland Lot No 2213	<p>The Property comprises the whole of industrial floor on the 5th Floor of a 6-storey industrial building completed in about 1965 and situated in Cheung Sha Wan where the locality comprises mainly medium/high-rise industrial and commercial building.</p> <p>The Property has a saleable area of approximately 316.05 sq m (3,402 sq ft).</p> <p>The Property is held under a Government Lease for a term expired on 30 June 1997 and has been statutorily extended until 30 June 2047.</p> <p>The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the Property.</p>	As advised by the Company, as at the Valuation Date, the Property together with the Roof of the building was subject to a tenancy for a term of 3 years commencing from 1 June 2013 at a monthly rent of HK\$36,000 inclusive of rates and management fees.	HK\$11,300,000

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrance as per the land search records:—
 - i. Deed of Mutual Covenant vide Memorial No UB472966 dated 11 January 1965.
- (3) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the approved Cheung Sha Wan Outline Zoning Plan No S/K5/35 dated 17 December 2013 as at the Valuation Date.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015
8. 3rd Floor, No 161 Wong Nai Chung Road, Happy Valley, Hong Kong 1/11th share of and in Inland Lot No 4384	<p>The Property comprises a residential unit on the 3rd Floor of a 10-storey composite building completed in 1958. The locality is predominated by tenement buildings with recreational and community facilities located nearby including Happy Valley Recreation Ground.</p> <p>The Property has a saleable area of approximately 72.60 sq m (781 sq ft).</p> <p>The Property is held under a Government Lease for a term of 75 years from 6 November 1899 and renewed for a further term of 75 years.</p> <p>The Government rent payable for the Property is HK\$486 per annum.</p>	As advised by the Company, as at the Valuation Date, the Property was subject to a tenancy for a term of 2 years commencing from 8 March 2015 at a monthly rent of HK\$32,000 exclusive of rates but inclusive of management fees.	HK\$12,300,000

Notes:

- (1) The registered owner of the Property was Goldchamp International Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrance as per the land search records:—
 - i. Deed of Covenant vide Memorial No UB289866 dated 28 January 1959.
- (3) The Property was situated within an area zoned for “Residential (Group A)” uses under the approved Wong Nai Chung Outline Zoning Plan No S/H7/17 exhibited on 8 July 2014 as at the Valuation Date.

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)	10,370,311	1,877,934	12,248,245	48.37%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (note ii)	10,370,311	1,877,934	12,248,245	48.37%

Notes:

- (i) These Shares are respectively registered in the name of and are beneficially owned by Landmark Profits Limited (“**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 trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and 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	10,370,311	1,877,934	12,248,245	48.37%
Landmark Profits	<i>i & ii</i>	Beneficial owner	2,121,304	—	2,121,304	8.38%
Goodco	<i>i & ii</i>	Beneficial owner	8,249,007	1,877,934	10,126,941	39.99%
Easyknit International	<i>i & ii</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Magical Profits	<i>i & iii</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Winterbotham Trust	<i>i & iv</i>	Trustee	10,370,311	1,877,934	12,248,245	48.37%
Winterbotham Holdings Limited	<i>iv</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Markson International Holdings Limited	<i>iv</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Christopher Geoffrey Douglas Hooper	<i>iv</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Ivan Geoffery Douglas Hooper	<i>iv</i>	Interest of controlled corporation	10,370,311	1,877,934	12,248,245	48.37%
Get Nice Securities Limited	<i>v</i>	Beneficial owner	627,884,880	—	627,884,880	56.23%
Get Nice Incorporated	<i>v</i>	Interest of controlled corporation	627,884,880	—	627,884,880	56.23%
Get Nice Holdings Limited	<i>v</i>	Interest of controlled corporation	627,884,880	—	627,884,880	56.23%

Notes:

- (i) In the 12,248,245 Shares, 2,121,304 Shares and 8,249,007 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 1,877,934 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 trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, 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 10,370,311 Shares and 1,877,934 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) Winterbotham Trust is the 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) 627,884,880 are the rights shares underwritten by the underwriter in respect of the proposed rights issue announced on 6 August 2015. 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 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;

- (b) 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);
- (c) 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;
- (d) 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;
- (e) 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;
- (f) the underwriting agreement dated 2 February 2015 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 506,399,020 rights shares at the subscription price of HK\$0.65 per rights share; and
- (g) the underwriting agreement dated 6 August 2015 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 1,063,437,920 rights shares at the subscription price of HK\$0.48 per rights shares.

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 2015 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

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

Name	Qualification
DTZ Debeham Tie Leung (SEA) Pte Ltd	Independent Professional Valuer
Knight Frank Petty Limited	Independent Professional Valuer
Messis Capital Limited	Independent Financial Adviser which is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Cosmos CPA Limited	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 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2013, 2014 and 2015;
- (c) the letter from Messis Capital Limited, the text of which is set out on pages 51 to 85 of this circular;
- (d) the audited financial information of the Target Companies for the three years ended 31 March 2013, 2014 and 2015 as set out in Appendix II to this circular;

- (e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group upon completion of the S&P Agreement(s) and Rights Issue as set out in Appendix III to this circular;
- (f) the valuation reports prepared by DTZ and Knight Frank, the texts of which are set out in Appendix IV and Appendix V respectively to this circular;
- (g) the letters of consent referred to in the paragraph headed “Experts and consents” in this appendix;
- (h) the material contracts referred to the paragraph headed “Material contracts” in this appendix;
- (i) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and
- (j) the S&P Agreement(s) and Supplemental Agreement;
- (k) the Underwriting Agreement; and
- (l) 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 Wednesday, 7 October 2015, at 9:10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments:

ORDINARY RESOLUTION

1. “**THAT** the 4 sets of the conditional sale and purchase agreement(s) dated 6 August 2015 (copies of which are produced to the Meeting marked “**A**” and initialled by the chairman of the Meeting for the purpose of identification) entered into by Easyknit Properties Holdings Limited as vendor and the Company or its subsidiaries as purchaser(s) and the Supplemental Agreement dated 28 August 2015 in relation to the sale and purchase of the entire issued share capital and the aggregate sale loan of the Properties Group; and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

SPECIAL RESOLUTION

2. “**THAT** subject to and conditional upon, (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agree to grant the listing of and permission to deal in the Adjusted Shares (as defined below); and (ii) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended), with effect from 9:00 a.m. on 8 October 2015 (Hong Kong time) or such time or such other date and/or time as the directors of the Company may determine:
 - (a) every ten (10) issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of par value HK\$0.10 (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”);

* for identification only

NOTICE OF SPECIAL GENERAL MEETING

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

ORDINARY RESOLUTION

3. “**THAT**

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

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of rights issue of 1,063,437,920 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.48 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company at 4:00 pm on Tuesday, 13 October 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

NOTICE OF SPECIAL GENERAL MEETING

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 fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked “**B**” and initialled by the chairman of this Meeting for the purpose of identification) dated 6 August 2015 and made between the Company, and Get Nice Securities Limited as underwriter (the “**Underwriter**”);

- (b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise 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, 14 September 2015

NOTICE OF SPECIAL GENERAL MEETING

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

Notes:

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