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If you have sold or transferred all your securities in Easyknit International Holdings Limited (永義國際集團有限公司)*, you should at once hand this circular to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale(s) or transfer(s) was/were effected for transmission to the purchaser(s) or the transferee(s).

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED****永義國際集團有限公司****(incorporated in Bermuda with limited liability)***(Stock Code: 1218)****MAJOR TRANSACTION****SUBSCRIPTION OF RIGHTS SHARES
PURSUANT TO THE UNDERTAKINGS IN FULL ACCEPTANCE OF
PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE OF
EASYKNIT ENTERPRISES HOLDINGS LIMITED**

2 March 2015

* for identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acceptance Time”	4:00 p.m. on Monday, 20 April 2015 (or such other time or date as the Underwriter may agree in writing with Easyknit Enterprises as the latest date of acceptance of, and payment of, Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“Authorised Capital Increase”	the proposed increase of authorised share capital of Easyknit Enterprises from HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares
“Board”	the board of Director(s)
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Capital Reduction”	the proposed (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.19 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01; (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all unissued Consolidated Shares from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares to HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares of HK\$0.01 each; and (iii) the credit arising from the reduction of the issued share capital of Easyknit Enterprises be transferred to the contributed surplus account of Easyknit Enterprises

DEFINITIONS

“Capital Reorganisation”	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Authorised Capital Increase
“Company”	Easyknit International 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
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.20 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Authorised Capital Increase
“Director(s)”	director(s) of the Company
“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
“EE Board”	the board of EE Directors
“EE Director(s)”	director(s) of Easyknit Enterprises
“EE Group”	Easyknit Enterprises and its subsidiaries
“Existing Share(s)”	ordinary share(s) of par value HK\$0.01 each in the capital of Easyknit Enterprises before the Capital Reorganisation becoming effective, unless otherwise stated
“Goodco”	Goodco Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries, including Easyknit Enterprises
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inverness Road Project”	the residential project of Nos. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total registered site area of 17,637 sq.ft.

DEFINITIONS

“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	26 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matheson Street Project”	the redevelopment project of Easyknit Enterprises to redevelop the site comprising Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) of Easyknit Enterprises (if any) in respect of whom the EE 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) of Easyknit Enterprises 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
“PRC”	the People’s Republic of China
“Qualifying Shareholder(s)”	shareholder(s) of Easyknit Enterprises, 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”	Monday, 30 March 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
“Rights Issue”	the proposed issue of the Rights Shares by way of rights by Easyknit Enterprises as set out in the joint announcement dated 2 February 2015 issued by the Company and Easyknit Enterprises

DEFINITIONS

“Rights Share(s)”	506,399,020 Adjusted Shares proposed to be offered to Qualifying Shareholders for subscription on the basis of twenty Rights Shares for every one Adjusted Share held at the Record Date pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the Company’s share capital
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of Share(s)
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Rights Shares by Landmark Profits and Goodco
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Undertakings”	the conditional irrevocable undertakings dated 2 February 2015 given by Landmark Profits and Goodco to Easyknit Enterprises and the Underwriter as described in the section headed “Full acceptance of provisional entitlement under the Rights Issue” in the “Letter from the Board” of this circular
“Underwriter”	Get Nice Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement, dated 2 February 2015, entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain related arrangements in respect of the Rights Issue
“%”	percentage

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Tse Wing Chiu Ricky
Mr. Lai Law Kau

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

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

Independent Non-executive Directors:

Mr. Tsui Chun Kong
Mr. Jong Koon Sang
Mr. Hon Tam Chun

2 March 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SUBSCRIPTION OF RIGHTS SHARES PURSUANT TO THE UNDERTAKINGS IN FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

INTRODUCTION

Reference is made to the joint announcement of the Company and Easyknit Enterprises dated 2 February 2015 in relation to, among other things, the Undertakings given by each of Landmark Profits and Goodco in favour of Easyknit Enterprises and the Underwriter for the Subscription.

* for identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide to you, among other things, (i) details of the Subscription pursuant to the Undertakings and the transactions contemplated thereunder; (ii) financial information of the EE Group; and (iii) unaudited pro forma financial information of the Group upon completion of the Rights Issue.

FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries Landmark Profits and Goodco, is interested in 207,406,233 shares of Easyknit Enterprises, representing approximately 41.0% of the total issued share capital of Easyknit Enterprises. As at the Latest Practicable Date, the Company also held an outstanding convertible note in principal amount of HK\$20,000,000 which is convertible into shares of Easyknit Enterprises during the five-year period commencing from 27 March 2014 at the prevailing conversion price of HK\$2.498 per share of Easyknit Enterprises (subject to adjustment). Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have given the Undertakings in favour of Easyknit Enterprises and the Underwriter where, among other things, (1) Landmark Profits and Goodco will subscribe for 42,426,080 Rights Shares and 164,980,140 Rights Shares respectively to which they will be entitled pursuant to the terms of the Rights Issue; (2) the shares of Easyknit Enterprises comprising their current shareholding in Easyknit Enterprises will remain registered in their respective names at the Record Date as they are on the date of the Undertakings; and (3) they will procure that their applications in respect of their 42,426,080 Rights Shares and 164,980,140 Rights Shares respectively comprising their respective entitlements under the Rights Issue will be lodged with the share registrar of Easyknit Enterprises, with payment in full therefore, by no later than the Acceptance Time and otherwise in accordance with the instructions printed on the provisional allotment letters of Easyknit Enterprises.

The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If the conditions are not fulfilled, all liabilities of Landmark Profits and Goodco thereunder shall cease and the undertakings shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Shares.

The Rights Shares, when allotted, fully-paid or credited as fully-paid and issued shall rank pari passu in all respects with the shares of Easyknit Enterprises then in issue, including the right to reserve 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 government stamp duty in Hong Kong.

Consideration

Landmark Profits and Goodco will pay a total amount of approximately HK\$134.8 million to subscribe in full its entitlement of 207,406,220 Rights Shares under the Rights Issue at the subscription price of HK\$0.65 per Rights Share. The consideration will be fully satisfied in cash by internal resources of the Company.

LETTER FROM THE BOARD

Conditions precedent

The Subscription is conditional upon, among other things, the passing of the necessary resolution by the Shareholders to approve, among other things, the subscription of Rights Shares under the Rights Issue pursuant to the Undertakings. As further described below, written shareholders' approval for the aforesaid resolution have been obtained from Sea Rejoice Limited and Magical Profits Limited, which in aggregate own approximately 58.69% of the issued share capital of the Company.

Use of proceeds

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$329.2 million and HK\$326 million respectively. Easyknit Enterprises intends to apply approximately HK\$260 million for the redevelopment of Inverness Road Project and the remaining balance of approximately HK\$66 million for general corporate purposes. The net price per Rights Share shall be approximately HK\$0.644.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

The financial impact of the Subscription on the Company (including their effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma financial statement set out in Appendix III to this circular.

INFORMATION ON THE GROUP AND EASYKNIT ENTERPRISES

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

Easyknit Enterprises is a subsidiary of the Company and it, together with its subsidiaries are principally engaged in property investments, property development, garment sourcing and export businesses, investment in securities and loan financing.

The following information is extracted from the annual reports of Easyknit Enterprises for the two years ended 31 March 2013 and 2014 and the interim report of Easyknit Enterprises for the six months ended 30 September 2014 respectively:

	For the year ended 31 March		For the six months ended 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)
(Loss) profit before taxation from continuing operations	(21,991)	(2,752)	(75,185)
(Loss) profit after taxation from continuing operations	(21,922)	(2,541)	(76,084)
Total assets	1,003,979	1,389,502	1,376,277

LETTER FROM THE BOARD

INFORMATION ON INVERNESS ROAD PROJECT

On 30 October 2014, Easyknit Enterprises announced to acquire all properties of Nos. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong for a total consideration of HK\$169,500,000 and such acquisitions were all completed on 15 January 2015.

As mentioned in the circular of Easyknit Enterprises dated 26 September 2014 relating to the acquisition of No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong (registered site area of approximately 8,441 sq.ft. and a maximum gross floor area of approximately 25,323 sq.ft.), the estimated redevelopment cost was HK\$245 million. Following the completion of the acquisition of Nos. 18 and 20 Inverness Road, the Inverness Road Project incorporated the site of Nos. 14, 16, 18 and 20 Inverness Road with a total registered site area of 15,500 sq.ft. and having a maximum gross floor area of approximately 46,500 sq.ft. which leads to a higher estimated redevelopment cost of approximately HK\$500 million to HK\$550 million at current prices. This redevelopment cost is higher because of the increase in the maximum gross floor area and the increase in the land premium to be payable to the government. The site will be developed into properties for residential use and the EE Directors estimated that it will take about 4 years. The preliminary allocation of the redevelopment cost is 15% (for demolition and foundation works) and 65% (payment of land premium) are to be utilised in 2015 and 2016 respectively; and the remaining 20% for 2017 and 2018. Since the demolition and foundation works of the Inverness Road Project will commence in 2015, a cost amounting to approximately HK\$75 million to HK\$82.5 million is expected to be utilised shortly in 2015. Following the payment of land premium amounting to approximately HK\$325 million to HK\$357.5 million in 2016, the development cost to be incurred in 2015 and 2016 in aggregate amounting to approximately HK\$400 million to HK\$440 million is expected to arise imminently. Since timely financing is vital to the progression of the Inverness Road Project, EE Directors consider that it is necessary for the EE Group to obtain new funding to commit the Inverness Road Project and therefore the funding need of the Easyknit Enterprises is commercially justifiable. Moreover, the EE Group may be able to reduce the number of fund raising activities which could be costly and time consuming to the EE Group by raising HK\$260 million upfront to satisfy the imminent need of funding for the Inverness Road Project. For the remaining balance of the development cost, Easyknit Enterprises shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances. The redevelopment cost includes but without limitation to the planning and design, demolition, foundation works, superstructure construction and interior works. The general building plan to redevelop the Inverness Road Project has been submitted to Buildings Department on 26 January 2015 and the approval shall be obtained in 6 months' time; and the issuance of the consent for work commencement shall be obtained in early 2016. The construction works of the superstructure targets to commence in early 2017. For the remaining balance of the redevelopment cost, Easyknit Enterprises shall consider different methods of future financing including but without limitation to bank financing and/or equity issuances.

LETTER FROM THE BOARD

INFORMATION ON MATHESON STREET PROJECT

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

REASONS OF THE FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE

The Directors consider the Undertakings to be fair and reasonable and believe that the Subscription is in the interests of the Company and the Shareholders as a whole, the reasons being:

Maintaining the pro-rata shareholding after the Rights Issue

By subscribing the Rights Shares, the Company (through Landmark Profits and Goodco) will be able to maintain the pro-rata shareholding in Easyknit Enterprises immediately upon completion of the Rights Issue, as illustrated in the following tables. Under the scenarios of (i) the conversion rights attaching to the outstanding convertible note are not exercised; and (ii) full exercise of the outstanding convertible note, set out below the shareholding structure of Easyknit Enterprises (a) as at the Latest Practicable Date; (b) immediately after Capital Reorganisation but before the completion of the Rights Issue; (c) immediately after the completion of the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholders; and (d) immediately after the completion of the Rights Issue assuming only Landmark Profits and Goodco take up their Rights Shares.

LETTER FROM THE BOARD

Scenario 1: no exercise of outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the completion of the Rights Issue		Immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	No. of Existing Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
<i>Landmark Profits</i>	42,426,090	8.38	2,121,304	8.38	44,547,384	8.38	44,547,384	8.38
<i>Goodco</i>								
Shares of Easyknit Enterprises Underlying shares of Easyknit Enterprises of the outstanding convertible notes (<i>Notes 1 and 2</i>)	164,980,143	32.58	8,249,007	32.58	173,229,147	32.58	173,229,147	32.58
	8,006,405		To be adjusted (<i>Note 3</i>)		To be adjusted (<i>Note 3</i>)		To be adjusted (<i>Note 3</i>)	
Sub-total	<u>207,406,233</u>	<u>40.96</u>	<u>10,370,311</u>	<u>40.96</u>	<u>217,776,531</u>	<u>40.96</u>	<u>217,776,531</u>	<u>40.96</u>
<i>Public</i>								
Underwriter	–	0.00	–	0.00	–	0.00	298,992,800	56.23
Other public shareholders of Easyknit Enterprises	298,992,798	59.04	14,949,640	59.04	313,942,440	59.04	14,949,640	2.81
Total	<u>506,399,031</u>	<u>100.00</u>	<u>25,319,951</u>	<u>100.00</u>	<u>531,718,971</u>	<u>100.00</u>	<u>531,718,971</u>	<u>100.00</u>

Notes:

- The underlying shares of Easyknit Enterprises of the outstanding convertible note do not represent the issued shares of Easyknit Enterprises.
- Pursuant to the terms of the convertible note, Goodco may convert at any time within the five-year period from 27 March 2014.
- Possible adjustments to the convertible note will be announced by Easyknit Enterprises as and when appropriate.

LETTER FROM THE BOARD

Scenario 2: full exercise of the outstanding convertible note

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

Notes:

- The underlying shares of Easyknit Enterprises of the outstanding convertible note do not represent the issued shares of Easyknit Enterprises.
- Pursuant to the terms of the convertible note, Goodco may convert at any time within the five-year period from 27 March 2014.

LISTING RULES IMPLICATIONS

The consideration for the Subscription is approximately HK\$134.8 million and in aggregate with the subscription under the previous rights issue of Easyknit Enterprises as announced on 5 September 2014 exceeds 25.0% but is less than 100.0% of the applicable percentage ratio (as defined under the Listing Rules) and therefore the aggregate subscriptions constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the major transaction relating to the Subscription or should the aforesaid major transaction be put forward to the Shareholders for approval at a general meeting of the Company be required to abstain from voting on the resolution(s) approving the transaction.

LETTER FROM THE BOARD

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of the Subscription has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of the Company as at the Latest Practicable Date.

Sea Rejoice Limited, which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and an executive director of the Company and Easyknit Enterprises. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued shares of the Company, is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of the Company and Easyknit Enterprises) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

RECOMMENDATION

Having taken into account that (i) the Rights Issue is able to strengthen the capital base of Easyknit Enterprises so that Easyknit Enterprises will be in a position to capture more business opportunities associated with its principal business engagements in the future; and (ii) the Undertakings are given in order to support and maintain the value of the Company's investment in Easyknit Enterprises, which will in turn provide the Company an opportunity to enjoy the future return of Easyknit Enterprises, the Board considers that the Subscription and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution if the Company were to convene a general meeting to approve the Subscription and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

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

Your faithfully,
By Order of the Board
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President & Chief Executive Officer

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2012, 2013, and 2014 are disclosed in the annual reports of the Company for the years ended 31 March 2012, 2013, and 2014 respectively. The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2014 is disclosed in 2014 interim report of the Company. They can be accessed on the websites of the Company (www.easyknit.com) and the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its available financial resources, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its requirements for the next 12 months from the date of this circular.

3. INDEBTEDNESS

At the close of business on 31 January 2015, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$1,595.1 million, which were guaranteed by the Company and were secured by certain properties of the Group. The bank borrowings comprised bank loans of approximately HK\$1,593.7 million and interest payable of approximately HK\$1.4 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 January 2015 any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the interim report of the Company for the six months ended 30 September 2014, the Board believes that the overall business environment will be stable but remain challenging in the second half. The direction of the local property market is still determined by the local government policies. Government's adjustments to the doubled ad valorem stamp duty measures, relaxing the timeframe for owners having acquired a new residential property before disposing of the original one and cash rebates and incentives offered by developers, all these positive factors have stimulated the sales of first hand residential property market. In particular, signs of demand for luxury residential properties arose over the past few months, which is likely to continue into the second half. The Group is optimistic about the local property market.

PAXTON has been well-received by customers and achieved satisfactory sales since its initial launch in July 2014 due to accurate positioning and appropriate sales strategy of the project. The Group is confident in the sales of this project in the second half. More units will be launched when the Group considers market sentiment to be appropriate.

The Company has selected the architectural plan of a residential building to be erected at No. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong and it is in the process of submitting buildings plans to Buildings Department for approval. Such project is expected to be launched in the year 2017.

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

Shanghai-Hong Kong Stock Connect, a pilot programme for establishing mutual stock market access between PRC and Hong Kong, is launched on 17 November 2014, which can boost the overall sentiment in the stock markets and will become a driving force of both stock markets. The Group will keep on optimizing the securities investment portfolio and adjust its investment strategy in order to secure the greatest return through grasping the benefit of Shanghai-Hong Kong Stock Connect.

The global economy is on the track of recovery proven by various major indicators. The Group will focus its efforts on implementing the strategic initiatives in order to tackle with market challenges and strengthen market position. The Group is confident that the Group is well positioned with the right strategic moves, harvest of which can be enjoyed by the shareholders in the coming years.

5. MATERIAL CHANGE

The Directors are not aware of any material change to the financial or trading position of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date, save as mentioned below:

- (a) As disclosed in the Company's announcement dated 30 April 2014, Easyknit Enterprises, through its indirectly wholly-owned subsidiary, acquired the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong, comprising shops A and B with a total saleable area of approximately 675 sq. ft., for HK\$236,800,000.
- (b) As disclosed in the Company's announcement dated 16 June 2014, Hanford International Investment Limited, a wholly-owned subsidiary of the Company, had entered into a development agreement with Wise Think Global Limited to redevelop the Kowloon Inland Lot No. 2320 as tenant-in-common by joint efforts.
- (c) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 5 September 2014, the Company, through its direct wholly-owned subsidiary, disposed of the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong to Easyknit Enterprises for a total consideration of HK\$340 million.
- (d) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 30 October 2014, Easyknit Enterprises, through its direct wholly-owned subsidiary, acquired all properties situated at basement, ground floor, 1st floor and 2nd floor of No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total saleable area of approximately 9,196 sq. ft., at an aggregate consideration and other related expenses of HK\$169,500,000.

There has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group since the date of the latest published audited financial statements for the year ended 31 March 2014.

1. FINANCIAL SUMMARY OF THE EE GROUP

The published audited consolidated financial statements of the EE Group for the years ended 31 March 2012, 2013 and 2014 are disclosed in the annual reports of Easyknit Enterprises for the year ended 31 March 2012, 2013 and 2014. The published unaudited consolidated financial statements of the EE Group for the six months ended 30 September 2014 is disclosed in 2014 interim report of Easyknit Enterprises, which can be accessed on the website of Easyknit Enterprises (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

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

3. INDEBTEDNESS

At the close of business on 31 January 2015, being the latest practicable date for ascertaining the information prior to the printing of this circular, the EE Group has outstanding bank borrowings of approximately HK\$295.5 million, which was guaranteed by Easyknit Enterprises and were secured by certain investment properties of the EE Group. The bank borrowings comprised bank loans of approximately HK\$295.1 million and interest payable of approximately HK\$0.4 million.

Apart from as disclosed above and intra-group liabilities, the EE Group did not have at the close of business on 31 January 2015 any debt securities authorised or created by unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE EE GROUP

As mentioned in the interim report of Easyknit Enterprises for the six months ended 30 September 2014, the EE Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the EE Group and its shareholders as a whole.

Looking forward to the year 2014/15, despite of a few uncertainties of the global economics, such as the adjustments to the macroeconomic policies of major economies and geopolitical tensions, the low interest rate environment is likely to continue, which favours the economic recovery. As the US government keeps on measured reductions in the pace of asset purchases; the economic environment of the European countries is improving; the Chinese government implements various stimulative policies to ensure a moderate to high rate of growth while continuing its economic restructuring, the EE Group believes any changes to the global monetary policies in the future would be in a gradual and controlled manner. The global economy is expected to recover steadily.

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

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

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

5. MATERIAL CHANGE

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

- (i) As disclosed in the announcement of Easyknit Enterprises on 3 April 2014, Easyknit Enterprises received notice from Goodco, requesting for the conversion of the convertible note in the principal amount of HK\$20.0 million.

- (ii) As disclosed in the announcement of Easyknit Enterprises on 30 April 2014, Easyknit Enterprises, through its indirectly held wholly-owned subsidiary, acquired the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong, comprising shops A and B with a total saleable area of approximately 675 sq. ft. for HK\$236,800,000.
- (iii) As disclosed in the joint announcement of the Easyknit Enterprises and the Company dated 18 June 2014, Easyknit Enterprises raised approximately HK\$22.5 million by way of placing of new shares under general mandate.
- (iv) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 22 August 2014, Easyknit Enterprises raised approximately HK\$23.1 million by way of placing of new shares under general mandate.
- (v) As disclosed in the announcement of Easyknit Enterprises on 29 August 2014, Easyknit Enterprises received notice from Goodco, requesting for the conversion of the convertible note in the principal amount of HK\$60.0 million.
- (vi) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 5 September 2014, Easyknit Enterprises (a) acquired the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong from the Company for a total consideration of HK\$340 million; and (b) raised approximately HK\$312.0 million by way of rights issue.
- (vii) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 30 October 2014, Easyknit Enterprises acquired all properties situated at basement, ground floor, 1st floor and 2nd floor of No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total saleable area of approximately 9,196 sq. ft., at an aggregate consideration and other related expenses of HK\$169,500,000.

There has not been any interruption in the business of Easyknit Enterprises which may have or have had a material adverse effect on the financial position of Easyknit Enterprises since the date of the latest published audited financial statements for the year ended 31 March 2014.

(A) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the subscription of rights shares pursuant to the undertakings in full acceptance of provisional entitlement under the Rights Issue of Easyknit Enterprises (the “Undertakings”) as if the Undertakings has taken place on 30 September 2014.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Group had the Undertakings been completed as at 30 September 2014 or at any future date.

	The Group at 30 September 2014	Pro forma adjustment	Pro forma total for the Group
	<i>HK\$'000</i> (Unaudited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> (Unaudited)
Non-current assets			
Property, plant and equipment	36,861	–	36,861
Investment properties	2,639,750	–	2,639,750
Available-for-sale investments	84,978	–	84,978
Loans receivable	68,189	–	68,189
Deposit for acquisition of property, plant and equipment	3,713	–	3,713
Deposit and prepayments for a life insurance policy	9,853	–	9,853
	<u>2,843,344</u>	<u>–</u>	<u>2,843,344</u>
Current assets			
Properties held for development for sale	370,846	–	370,846
Properties held for sale	1,201,764	–	1,201,764
Investments held for trading	318,479	–	318,479
Financial assets designated as at fair value through profit and loss	29,270	–	29,270
Trade and other receivables	77,779	–	77,779
Bills receivable	1,668	–	1,668
Loans receivable	81,659	–	81,659
Bank deposit with original maturity of more than three months	12,821	–	12,821
Bank balances and cash	337,744	191,102	528,846
	<u>2,432,030</u>	<u>191,102</u>	<u>2,623,132</u>

	The Group at 30 September 2014	Pro forma adjustment	Pro forma total for the Group
	<i>HK\$'000</i> (Unaudited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> (Unaudited)
Current liabilities			
Trade and other payables	87,671	–	87,671
Tax payable	19,824	–	19,824
Secured bank borrowings	994,164	–	994,164
	<u>1,101,659</u>	<u>–</u>	<u>1,101,659</u>
Net current assets	<u>1,330,371</u>	<u>191,102</u>	<u>1,521,473</u>
Total assets less current liabilities	<u>4,173,715</u>	<u>191,102</u>	<u>4,364,817</u>
Non-current liabilities			
Deferred tax liabilities	13,908	–	13,908
Secured bank borrowings	652,633	–	652,633
	<u>666,541</u>	<u>–</u>	<u>666,541</u>
	<u><u>3,507,174</u></u>	<u><u>191,102</u></u>	<u><u>3,698,276</u></u>

Notes:

- The figures are extracted from the condensed consolidated statement of financial position of the Group as at 30 September 2014, as set out in the published interim financial report of the Group for the six months ended 30 September 2014.
- The adjustment represents the estimated net proceeds from Easyknit Enterprises' Rights Issue of HK\$0.01 each at HK\$0.65 per Rights Share on the basis of twenty Rights Shares for every one Adjusted Share, of which gross proceeds of approximately HK\$134,814,000 payable by the Group to Easyknit Enterprises on 207,406,220 Rights Shares pursuant to the Undertakings is not presented in the unaudited pro forma financial information of the Group as it is set off against the consideration receivable from Easyknit Enterprises. In addition, no pro forma adjustment is presented to illustrate the financial effect of the net amount of consideration receivable by Easyknit Enterprises as it is eliminated in full in the unaudited pro forma financial information of the Group.

The estimated net proceeds from Rights Issue of HK\$191,102,000 is based on 298,992,800 Rights Shares to non-controlling interests of Easyknit Enterprises as at the Latest Practicable Date, after deducting the estimated transaction costs of the Rights Issue, comprising legal and professional fees of HK\$380,000 incurred by the Group in relation to the Undertakings as well as HK\$2,863,000 incurred by Easyknit Enterprises in relation to the Rights Issue.
- No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014.

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****Deloitte.**
德勤德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong**TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit International 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 statement of assets and liabilities as at 30 September 2014 and related notes as set out on pages III-1 and III-2 of the circular issued by the Company dated 2 March 2015 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 and III-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed major transaction in relation to the subscription of rights shares pursuant to the undertakings in full acceptance of provisional entitlement under the rights issue of Easyknit Enterprises Holdings Limited (the “Undertakings”) on the Group’s assets and liabilities as at 30 September 2014 as if the Undertakings had taken place on 30 September 2014. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for six months ended 30 September 2014, on which no review or audit in accordance with auditing and assurance standards has been carried out.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2 March 2015

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

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

(i) *Interests in the Company*

Name of Director	Capacity	Number of Shares held (long position)	Aggregate number of Shares held	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>Note i</i>)	29,179,480	46,609,144	58.69%
	Interest of controlled corporation (<i>Note ii</i>)	17,429,664		
Ms. Koon Ho Yan Candy	Beneficiary of a trust (<i>Note iii</i>)	29,179,480	29,179,480	36.74%

Notes:

- (i) 29,179,480 Shares are registered in the name of and beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as the new trustee of The Magical 2000 Trust since 3 June 2014 (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu.
- (iii) 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.

(ii) Interest in associated corporations*Easyknit Enterprises*

Name of director	Capacity	Number of ordinary shares held (long position)	Number of underlying shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (Note iv)	207,406,233	8,006,405	215,412,638	42.53%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (Note v)	207,406,233	8,006,405	215,412,638	42.53%

Notes:

- (iv) In the 207,406,233 shares of Easyknit Enterprises, 42,426,090 shares of Easyknit Enterprises and 164,980,143 shares of Easyknit Enterprises are registered in the name of and beneficially owned by Landmark Profits Limited and Goodco respectively, both are the wholly-owned subsidiaries of the Company. Goodco is also interested in 8,006,405 underlying shares of Easyknit Enterprises (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 the Company and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of the Company and it is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the new trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse) since 3 June 2014.
- (v) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, is deemed to be interested in the shares of Easyknit Enterprises by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

Wellmake Investments Limited (“Wellmake”) (note vi)

Name of director	Capacity	Number of non-voting deferred shares held	Percentage to issued non-voting deferred shares of Wellmake
Ms. Lui Yuk Chu	Beneficial owner (note vii)	1	100%
	Interest of spouse (note vii)	1	

Notes:

- (vi) All the issued ordinary shares in the share capital of Wellmake which carry the voting rights are held by the Company.
- (vii) One non-voting deferred share is held by Ms. Lui Yuk Chu as beneficial owner. The other one non-voting deferred share is held by her spouse, Mr. Koon Wing Yee, in which Ms. Lui Yuk Chu is deemed to be interested in such share by virtue of the SFO.

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' interests

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

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Approximate Percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	46,609,144	58.69%
Sea Rejoice Limited	<i>i & ii</i>	Beneficial owner	17,429,664	21.95%
Magical Profits Limited	<i>i & ii</i>	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	29,179,480	36.74%
Winterbotham Trust	<i>i & iii</i>	Trustee	29,179,480	36.74%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Markson International Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Ivan Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%

Notes:

- (i) Out of 46,609,144 Shares, 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The remaining 29,179,480 Shares are registered in the name of and beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and her family members other than her spouse) since 3 June 2014. Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, is deemed to be interested in the 29,179,480 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 46,609,144 Shares by virtue of the SFO.
- (ii) Ms. Lui Yuk Chu, being a Director, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iii) Since 3 June 2014, Winterbotham Trust became the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“**Winterbotham Holdings**”) and 25% by Markson International Holdings Limited (“**Markson**”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.

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

3. 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.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contracts 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).

5. 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.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

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

7. MATERIAL CONTRACTS

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

- (a) the underwriting agreement dated 5 April 2013 entered into between Easyknit Enterprises and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of rights issue of 1,235,824,000 rights shares of Easyknit Enterprises at the subscription price of HK\$0.10 per rights share;
- (b) the placing agreement dated 11 September 2013 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of Easyknit Enterprises at a placing price of HK\$0.063 per share;
- (c) the underwriting agreement dated 3 October 2013 entered into between Easyknit Enterprises 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 of Easyknit Enterprises at the subscription price of HK\$0.60 per rights share;

- (d) the subscription agreement dated 16 January 2014 entered into between Easyknit Enterprises and Goodco, the substantial shareholder of Easyknit Enterprises and a wholly-owned subsidiary of the Company, as the subscriber, agreed to subscribe a convertible note issued by Easyknit Enterprises in the aggregate principal amount of HK\$100,000,000 which may be converted into 147,058,823 shares of Easyknit Enterprises at the initial conversion price of HK\$0.68 per share (subject to adjustment);
- (e) the placing agreement dated 6 June 2014 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 65,200,000 new shares of Easyknit Enterprises at a placing price of HK\$0.35 per share;
- (f) the development agreement dated 16 June 2014 entered into between Wise Think Global Limited and Hansford International Investment Limited, a wholly-owned subsidiary of the Company to redevelop the Kowloon Inland Lot No. 2320;
- (g) the placing agreement dated 11 August 2014 entered into between Easyknit Enterprises and Get Nice Securities Limited, as the placing agent, to place 78,000,000 new shares of Easyknit Enterprises at a placing price of HK\$0.30 per share;
- (h) the underwriting agreement dated 5 September 2014 entered into between Easyknit Enterprises 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 of Easyknit Enterprises at the subscription price of HK\$0.70 per right share; and
- (i) the Underwriting Agreement.

8. EXPERTS AND CONSENTS

The following is the qualification of the expert who has been named in this circular or have given its opinion or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2014 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letters and the references to its name in the form and context in which it appears.

9. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in the legal field.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at 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.
- (d) The English text of this circular prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2012, 2013, and 2014;
- (c) the 2014 interim report of the Company for the six months ended 30 September 2014;
- (d) the annual reports of Easyknit Enterprises containing audited consolidated financial statements of Easyknit Enterprises for the three years ended 31 March 2012, 2013, and 2014;
- (e) the 2014 interim report of Easyknit Enterprises for the six months ended 30 September 2014;

- (f) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group upon the completion of the Rights Issue as set out in Appendix III 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 in the paragraph headed “Material contracts” in this appendix;
- (i) a copy of each circular issued pursuant to the requirements 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) this circular.