

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

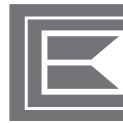
---

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

**If you have sold or transferred** all your shares in Easyknit International Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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

---



**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**MANDATE FOR POSSIBLE VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE AUCTION OF  
CHATHAM ROAD NORTH BUILDING  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

---

A letter from the Board is set out on pages 4 to 15 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, 11 November 2020 at 9:00 a.m. is set out on pages N-1 to N-2 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 it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than forty-eight (48) hours before the time appointed for holding 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 should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Hong Kong, 23 October 2020

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL</b> .....	II-1
<b>APPENDIX III – PROPERTY VALUATION REPORT</b> .....	III-1
<b>APPENDIX IV – MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP</b> .....	IV-1
<b>APPENDIX V – GENERAL INFORMATION</b> .....	V-1
<b>NOTICE OF THE SGM</b> .....	N-1

*Accompanying Document – Form of Proxy*

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the meanings set out below:*

“Auction”	the public auction of the entire interest in the Chatham Road North Building on an “as-is” basis expected to take place by order of the Lands Tribunal, and/or any postponement thereof
“Board”	the board of the Directors
“Chatham Road North Building”	all the undivided shares at Nos. 472–478 Chatham Road North, Kowloon, Hong Kong, expected to be auctioned at the Auction as part of the Lot
“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 (Stock Code: 1218)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hearing”	the hearing by the Lands Tribunal for an order for sale of the Chatham Road North Building
“Independent Third Party(ies)”	person(s) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Lands Tribunal”	the Lands Tribunal established under the Lands Tribunal Ordinance (Chapter 17 of the Laws of Hong Kong)
“Latest Practicable Date”	Wednesday, 21 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in it
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot”	the Remaining Portion of Section A of Kowloon Inland Lot No. 1526, Sub-section 3 of Section A of Kowloon Inland Lot No. 1526, the Remaining Portion of Sub-section 1 of Section A of Kowloon Inland Lot No. 1526 and Sub-section 2 of Section A of Kowloon Inland Lot No. 1526

---

## DEFINITIONS

---

“Mandate for Possible Very Substantial Disposal”	the mandate for the Possible Very Substantial Disposal proposed to be granted by the Shareholders at the SGM to the Directors
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong)
“Possible Acquisition”	the possible acquisition of the Remaining Units referred to in this circular
“Possible Very Substantial Disposal”	the possible disposal of the entire interest in all the units of the Chatham Road North Building owned by the Group referred to in this circular
“Registered Owners”	<p>the registered owners of the Remaining Units as recorded in the land register of the Hong Kong Land Registry being:</p> <ul style="list-style-type: none"><li>(i) Harbourview International Holdings Limited, the registered owner of 2/F., No. 474 Chatham Road North, Kowloon, Hong Kong;</li><li>(ii) Chu Chun Ming, the registered owner of 1/F., No. 476 Chatham Road North, Kowloon, Hong Kong;</li><li>(iii) Fok Siu Bing, the registered owner of the Front Portion of 3/F., No. 478 Chatham Road North, Kowloon, Hong Kong; and</li><li>(iv) Yau Yee Holding Limited, the registered owner of the Front Portion of 6/F., No. 478 Chatham Road North, Kowloon, Hong Kong</li></ul>
“Remaining Units”	the four (4) units of the Chatham Road North Building not owned by the Group, being approximately 11.31% of the undivided shares of the Chatham Road North Building
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Mandate for Possible Very Substantial Disposal, notice of which is set out in this circular
“Shareholder(s)”	holder(s) of the Shares
“Shares”	shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

---

## DEFINITIONS

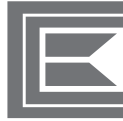
---

“Success Active”	Success Active Limited, an indirect wholly-owned subsidiary of the Company, and a company incorporated in the British Virgin Islands with limited liability
“Vigers”	Vigers Appraisal and Consulting Limited, a property valuer and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent.

---

## 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:*

Ms. Koon Ho Yan Candy

*(President and Chief Executive Officer)*

Ms. Lui Yuk Chu *(Vice President)*

Mr. Tse Wing Chiu Ricky *(Vice President)*

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-executive Directors:*

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Lau Chak Hang Charles

*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

23 October 2020

*To the Shareholders*

Dear Sir or Madam,

### **MANDATE FOR POSSIBLE VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE AUCTION OF CHATHAM ROAD NORTH BUILDING**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 11 September 2020 relating to the Possible Acquisition (Discloseable Transaction) and the Mandate for Possible Very Substantial Disposal in relation to the Auction of the Chatham Road North Building.

The purpose of this circular is to provide you with, among other things, (i) further information on the Mandate for Possible Very Substantial Disposal; (ii) financial information of the Group; (iii) an independent property valuation report on the Chatham Road North Building; (iv) notice of the SGM; and (v) other information required under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### BACKGROUND

The Company, through its indirect wholly-owned subsidiary, Success Active, is the registered owner of the following interests in the Chatham Road North Building:

- (i) all those 100% of the equal undivided shares in all those pieces or ground registered in the Land Registry as the Remaining Portion of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 472 Chatham Road North, Kowloon, Hong Kong;
- (ii) approximately 83.33% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Sub-section 3 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 474 Chatham Road North, Kowloon, Hong Kong;
- (iii) approximately 85.71% of the equal undivided shares in all those pieces or ground registered in the Land Registry as the Remaining Portion of Sub-section 1 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 476 Chatham Road North, Kowloon, Hong Kong; and
- (iv) approximately 85.71% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Sub-section 2 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 478 Chatham Road North, Kowloon, Hong Kong.

On 29 November 2018, the Company filed an application to the Lands Tribunal pursuant to the Ordinance for an order to sell all the undivided shares of the Chatham Road North Building (including those owned by the Group, as required by the Ordinance) for the purposes of the redevelopment of the entire Lot, with the intention to bid in the Auction and acquire the Remaining Units held by the Registered Owners, representing approximately 11.31% of the undivided shares of the Chatham Road North Building.

On 27 May 2020, the Lands Tribunal set down the application for the Hearing to be held on 1 December 2020 and, after the Hearing, it is expected the Lands Tribunal will, inter alia, make an order for the sale of the Chatham Road North Building by public auction and set a reserve price and date for the Auction.

The Company may seek to effect some or all of the Possible Acquisition by agreement with the Registered Owners before the order for sale.

### POSSIBLE ACQUISITION

The Company plans to bid at the Auction for the Chatham Road North Building.

If the Company is the successful bidder at the Auction, the consideration for the acquisition of the Remaining Units payable by the Company would be approximately 11.31% of the winning bid price.

---

## LETTER FROM THE BOARD

---

The Company intends to bid at the Auction at or above the reserve price determined by the Lands Tribunal and if successful to proceed with the Possible Acquisition; and/or effect some or all of the Possible Acquisition by agreement with the Registered Owners before the order for sale, at a price which will not result in the Possible Acquisition exceeding the thresholds for a discloseable transaction. The Directors consider that based on the existing use value and redevelopment value of the Chatham Road North Building in the valuation report issued by Vigers it would not be in the interest of the Company to pay a price which results in the Possible Acquisition exceeding the thresholds for a discloseable transaction.

The Possible Acquisition is thus expected to constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with all applicable Listing Rules in respect of the Possible Acquisition.

### **MANDATE FOR POSSIBLE VERY SUBSTANTIAL DISPOSAL**

If the Company is not successful at the Auction, the Company will be obliged to sell through the Auction its entire interest in the properties of the Chatham Road North Building owned by the Group to the successful bidder at the Auction.

The Company intends to seek the approval of the Shareholders at the SGM for, inter alia, the mandate to dispose through the Auction the entire interest in the Chatham Road North Building owned by the Group.

Such mandate is to remain valid for twelve (12) months from the date of the Shareholders' approval.

The Possible Very Substantial Disposal if it proceeds will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

### **FAILURE TO OBTAIN SHAREHOLDERS' APPROVAL**

In the event the Mandate for Possible Very Substantial Disposal is not approved by the Shareholders, the Company will either seek a stay of proceedings or withdraw its application for an order for sale. No decision about which is preferable has yet been made. The latest time to withdraw the application is the first day of the Hearing.

A stay of proceedings will give the Company time to consider its position and if thought appropriate to seek approval for the Mandate, with or without amendment, if it decides that to do so is in its interest. The Company may recommence proceedings or withdraw its application for an order for sale if it so decides.



---

## LETTER FROM THE BOARD

---

### INFORMATION ON THE CHATHAM ROAD NORTH BUILDING

The Chatham Road North Building was completed in 1957. It comprises two 6-storey and one 5-storey tenement buildings erected over a 1-storey commercial podium comprising 34 residential units and 4 retail units located at Nos. 472–478 Chatham Road North, Kowloon, Hong Kong (also known as Kowloon Inland Lot No. 1526) which is located on the Lot at the southeast side of Chatham Road North at its junction of Shek Tong Street in To Kwa Wan district of Kowloon Peninsula in Hong Kong. The Chatham Road North Building has a registered site area of approximately 3,777 sq. ft..

### Information on the properties of the Chatham Road North Building owned by the Group

The total saleable area owned by the Group in the Chatham Road North Building is approximately 17,028 sq. ft. (comprising approximately 2,496 sq. ft. for retail use and approximately 14,532 sq. ft. for residential use), representing approximately 88.69% (comprising approximately 15.48% for retail use and approximately 73.21% for residential use) of the undivided shares of the Chatham Road North Building.

As at the Latest Practicable Date, three (3) of the units owned by the Group in the Chatham Road North Building have been leased and the annual rental is approximately HK\$250,000. The annual rental for the year ended 31 March 2020 was approximately HK\$1,100,000 and a total of nineteen (19) units were leased.

The net profit or loss after taxation attributable to the Group's 34 units in the Chatham Road North Building for the financial years ended 31 March 2019 and 31 March 2020 was a profit of approximately HK\$894,000 and a loss of approximately HK\$1,153,000 respectively and for the four months ended 31 July 2020 was a loss of approximately HK\$130,000.

According to the valuation report issued by Vigers, as at 3 September 2020 the existing use values for the entire Chatham Road North Building and the Remaining Units are HK\$205,400,000 and HK\$21,900,000 respectively and the market values upon redevelopment for the entire Chatham Road North Building and the Remaining Units are HK\$283,000,000 and HK\$30,300,000 respectively. Thus, the market value upon redevelopment of the properties owned by the Group at the Chatham Road North Building will be HK\$252,700,000. The aggregate book value of the properties owned by the Group at the Chatham Road North Building as at 31 July 2020 was approximately HK\$371,100,000. If the Possible Very Substantial Disposal proceeds at such valuation price, the Company expects to recognize a loss on disposal of approximately HK\$118,400,000 (being the difference of the market value upon redevelopment over the book value). The actual amount of the gain or loss will depend on the successful bidder's bid price.

If the Company is successful at the Auction, the Chatham Road North Building will be demolished and redeveloped into a composite building for residential and commercial use, based on the current plans of the Group. The estimated gross floor area after redevelopment is expected to be approximately 33,993 sq. ft..

---

## LETTER FROM THE BOARD

---

The following information is extracted from the financial information of Success Active which include mainly the properties of the Chatham Road North Building owned by the Group and other property at Chatham Road which will not be part of the Auction:

	<b>For the four months ended</b>	<b>For the year ended 31 March</b>	
	<b>31 July 2020</b>	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Total assets	446,094	445,939	439,144
Profit/(loss) before income tax	(130)	(1,171)	1,084
Profit/(loss) for the period/year	(130)	(1,201)	926
Net profit/(loss) attributable to shareholders of Success Active	(130)	(1,201)	926

The value of the net liabilities of Success Active was approximately HK\$406,000 as of 31 July 2020.

### **Information on the Remaining Units**

The Remaining Units are four (4) residential units of the Chatham Road North Building with a total saleable area of approximately 2,646 sq. ft. The Registered Owners are the owners of the Remaining Units.

According to public information, no tenancy agreement can be found for the Remaining Units. The Company tried to obtain financial information about the Remaining Units as required by the Listing Rules and approached the Registered Owners but has been unable to gain access to the underlying books and records. Therefore, no information regarding the income, net profits, direct costs and other expenses relating to the Remaining Units is available to the Company, which has no right to such information.

Despite the fact that relevant information of the Remaining Units is not available to the Company, as the Company intends to redevelop the Lot of the Chatham Road North Building, the historical information of the Remaining Units would not be useful or relevant to the Shareholders. The Company has therefore applied for waivers for strict compliance from Rules 14.58(4) and 14.58(7) of the Listing Rules and the same was granted by the Stock Exchange.

### **BID PRICE AT THE AUCTION**

The Company may bid at or more than the reserve price at the Auction. If the Company is the successful bidder, the Company will be obliged to pay the apportioned winning bid price to the Registered Owners with reference to their ownership percentage of the Chatham Road North Building. Accordingly, the consideration for the acquisition of the Remaining Units payable by the Group would be approximately 11.31% of the successful bid price. All stamp duty and registration fees on transfer of the Remaining Units will be payable by the Company, if it is the successful bidder at the Auction. The Possible Acquisition will be financed by bank loans and cash from internal resources of the Group.

---

## LETTER FROM THE BOARD

---

The Company will consider, inter alia, the following factors in making a decision on whether to bid and its bid price at the Auction which will in any event not be less than the reserve price as determined by the Lands Tribunal:

1. the valuation report issued by Vigers valuing the Lot of the Chatham Road North Building;
2. the existing use value and redevelopment value of the Chatham Road North Building;
3. the latest transacted prices of comparable properties in To Kwa Wan at the time;
4. the breakeven price on the sale of 34 units of the Chatham Road North Building owned by the Group based on their aggregate book value as at 31 July 2020, being approximately HK\$371,100,000;
5. the availability of internal resources and banking facilities;
6. the property market condition at the time of the Auction and in the near and mid-term; and
7. the bids made by competitors at the Auction.

In order not to compromise the commercial interests of the Company by revealing commercial secrets and place the Company in a disadvantaged position against other bidders and/or competitors, the maximum price which the Company is willing to pay at the Auction was not disclosed in the Company's announcement dated 11 September 2020 and is not disclosed in this circular but the Company will not bid at a price that if successful would make the Possible Acquisition a major transaction or a very substantial acquisition. According to the valuation report issued by Vigers, as at 3 September 2020, the market value upon redevelopment for the Remaining Units is HK\$30,300,000. The Possible Acquisition at such value or an amount in excess of it that would constitute a discloseable transaction of the Company under the Listing Rules would be in the interests of the Company and the Shareholders as a whole because the Possible Acquisition will result in the Group owning the entire Chatham Road North Building and being able to redevelop it and expecting to profit accordingly. The Directors believe that given the transparency of the Lands Tribunal's determination of the reserve price, after taking into consideration the valuations of independent professional valuers and the fact that the reserve price will be determined by the Lands Tribunal, the acquisition or sale at the Auction of the relevant interest in the Chatham Road North Building will at least be at fair current market values and not detrimental to the interest of the Company. The Company has applied for a waiver from strict compliance with Rules 14.58(4) and 14.58(7) of the Listing Rules and the same has been granted by the Stock Exchange.

---

## LETTER FROM THE BOARD

---

The Shareholders should be aware of the following latest transactions of comparable properties in To Kwa Wan:

Transaction Date	Description of the Property	Age of the Building (years)	Saleable Area (sq. ft.)	Consideration (HK\$)	Price per sq. ft. (HK\$)
<b>Retail</b>					
8 February 2019	Shop 3, Ground Floor, Loong Wah Building, 34–42B Baker Street, Kowloon	41	260	6,280,000	24,154
21 January 2019	Shop 52, Ground Floor, Loong King Mansions, 23–35 Ma Tau Wai Road, Kowloon	46	300	7,380,000	24,600
<b>Residential</b>					
17 June 2019	Unit F, 5th Floor, Yue Sun Mansion, 177–191A Wuhu Street, Kowloon	56	564	4,239,000	7,516
14 May 2019	Unit A, 4th Floor, 12A Hok Yuen Street, Kowloon	55	534	4,800,000	8,989
10 April 2019	Unit 127D, 3rd Floor, 125–127D Ma Tau Wai Road, Kowloon,	62	473	3,700,000	7,822

Below is the existing use value of the Chatham Road North Building based on the valuation report issued by Vigers as at 3 September 2020:

Description of the Property	Age of the Building (years)	Saleable Area (sq. ft.)	Existing Use Value (HK\$)	Price per sq. ft. (HK\$)
Chatham Road North Building (comprises 4 retail units and 34 residential units)	63	19,674	205,400,000	10,440

---

## LETTER FROM THE BOARD

---

### **AUCTION PROCESS**

The Hearing of the Lands Tribunal has been set on 1 December 2020 and the Company expects that after the Hearing an order for sale will be made by the Lands Tribunal for the sale of the Chatham Road North Building (including the Remaining Units and those units owned by the Group) by way of public auction with a reserve price. The Company understands that in determining reserve price in hearings of this nature the Lands Tribunal generally takes into account the valuations made by independent professional valuers and the reserve price in the Auction is likely to be in line with the current market values determined by such independent professional valuers. In normal circumstances, the Auction is held within three (3) months from the date of the order for sale made by the Lands Tribunal, with an extension of another three (3) months if the circumstances so require.

The Lands Tribunal will appoint (a) trustee(s), who will be in charge of the conduct of the Auction and subsequent apportionment and distribution of sale proceeds. The trustee(s) to be appointed is/are usually qualified solicitor(s) practising in Hong Kong and will be Independent Third Party(ies). The Auction will be open to the public and any party may bid at the Auction.

The Company understands that the bidding process for the Auction will be fully in accordance with normal market practice and conducted by a professional auctioneer appointed by the trustee(s) and that the Chatham Road North Building will be sold to the highest bidder at the Auction, providing the reserve price is met.

At the Auction, bidders will make open bids for the Chatham Road North Building in full view of each other and with each bid being immediately known to all participants, as in a Government land auction, in a process controlled by the auctioneer. The Company believes that the terms of the Auction will be consistent with the best market practice overseen by the trustee(s) who will be independent professionals.

According to Section 5(4) of the Ordinance, if the Chatham Road North Building is not sold by auction within three (3) months from the date of the order for sale (or, if the Lands Tribunal grants an extension for another three (3) months, then a total of six (6) months) the order for sale will cease to have any legal effect. Upon the order for sale being annulled, the Company and the Registered Owners shall continue to hold the same interests (respectively) as they hold prior to the commencement of the application under the Ordinance as if no application was ever made for the order for sale.

Given the open bidding process at the Auction, the publicly available information on the Chatham Road North Building, the valuation(s) of the Chatham Road North Building and the transparent nature of the Hong Kong property market, the Directors are satisfied that they have all information necessary to make a properly-informed bid at the Auction.

### **REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION**

The reasons for the Possible Acquisition are to gain full ownership of the entire Chatham Road North Building for redevelopment and to unlock the commercial potential of the Lot.

The value of the Chatham Road North Building lies in the redevelopment potential of the Lot instead of its current use value.

---

## LETTER FROM THE BOARD

---

The Directors consider that the Lot has great commercial potential given its good location and redevelopment potential and success at the Auction would enable the Company to unlock the commercial value of the Lot which will contribute to revenue for the Group. Having evaluated the viability of the Chatham Road North Building redevelopment project on a number of factors, including financial viability, the Directors took the view that it is beneficial to proceed with the project.

The Directors are mindful that (based on the valuation report issued by Vigers), the market value upon redevelopment of the properties at the Chatham Road North Building owned by the Group will be approximately HK\$252,700,000, whilst the book value of those properties is at present approximately HK\$371,100,000 (a difference of approximately HK\$118,400,000). The Directors nevertheless consider the Possible Acquisition to be in the interests of the Company and the Shareholders as a whole.

The market value upon redevelopment estimated by Vigers is based on current economic conditions and current values in the property market in Hong Kong. Historically the Hong Kong property market has been volatile in comparison to markets in other jurisdictions and is depressed as a result of social unrest that began in June 2019 and the outbreak of the COVID-19 pandemic in January 2020. The Directors believe that, when the COVID-19 pandemic and the overall economy become stable, it is expected that the Hong Kong property market will normalize and the relaxation of mortgage ceiling by Hong Kong Monetary Authority is expected to be the catalyst for the revival of the sales activities of the properties. Given that the time it will take to complete the development if the Company is successful at the Auction, property values are likely to have risen at the time it offers the redeveloped property for sale, if it chooses to do so, and if they have not the Directors will consider alternatives at the time such as holding all or part of the development as an investment for rental income.

The Directors consider that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms of sale by public auction will be fair and reasonable.

### **REASONS FOR AND BENEFITS OF THE POSSIBLE VERY SUBSTANTIAL DISPOSAL**

If the Company is not successful at the Auction, the Company will be obliged to sell all the properties of the Chatham Road North Building owned by the Group to the successful bidder at the Auction.

Although the Company would lose the opportunity to redevelop the Lot, the Possible Very Substantial Disposal would improve the cash position of the Group. The sale proceeds received from the Possible Very Substantial Disposal will be used by the Group in or towards financing other projects and for general working capital.

Based on the above reasons, the Directors are of the view that although the Possible Very Substantial Disposal is not their intention, because it is a legal requirement inseparable from the Possible Acquisition it is in the interests of the Company and the Shareholders as a whole and that the terms of sale by the Auction will be fair and reasonable.

---

## LETTER FROM THE BOARD

---

### IMPLICATIONS UNDER THE LISTING RULES

#### The Possible Acquisition

Based on the valuation report issued by Vigers, as at 3 September 2020, the market value of the Remaining Units upon redevelopment is HK\$30,300,000. On the basis that one or more of the applicable percentage ratios of the Possible Acquisition will exceed 5% but be less than 25%, the Possible Acquisition will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and, if so, it will be subject to the reporting and announcement requirements under the Listing Rules.

#### The Possible Very Substantial Disposal

If the consideration for the Chatham Road North Building is HK\$283,000,000 (based on the valuation report issued by Vigers), the market value upon redevelopment of the properties at the Chatham Road North Building owned by the Group will be approximately HK\$252,700,000, being the aggregate consideration for the Possible Very Substantial Disposal. As one or more of the applicable percentage ratios of the Possible Very Substantial Disposal exceeds 75%, the Possible Very Substantial Disposal will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and therefore it is subject to the reporting, announcement and the Shareholders' approval requirements under the Listing Rules.

### INFORMATION ON THE REGISTERED OWNERS

According to public records, Harbourview International Holdings Limited and Yau Yee Holding Limited, two of the Registered Owners, are companies incorporated in Hong Kong with limited liability. Their principal businesses are unknown to the Company. Based on the company search records, the registered shareholders of Harbourview International Holdings Limited are Lam Kwok Chun, Lau Fung Yee, Lam Wor Lam and Lee Fung Ying; and the registered shareholders of Yau Yee Holding Limited are Lam Wor Lam and Lee Fung Ying, who are all individuals unknown to the Company. The other Registered Owners, Chu Chun Ming and Fok Siu Bing, also appear to be individuals unknown to the Company.

To the best of the Directors' knowledge, having made all reasonable enquiries, the Registered Owners and their respective ultimate beneficial owners (where applicable) are Independent Third Parties.

### INFORMATION ON SUCCESS ACTIVE AND THE GROUP

Success Active, an indirect wholly-owned subsidiary of the Company, is incorporated in the British Virgin Islands with limited liability. The principal business of Success Active is property investment mainly in the Chatham Road North Building, and other property at Chatham Road which will not be part of the Auction.

The Company is an investment holding company. The Group is principally engaged in property investment, property development, securities investment and loan financing businesses. The Group currently holds various commercial, industrial and residential properties in Hong Kong.

---

## LETTER FROM THE BOARD

---

### FINANCIAL EFFECTS OF THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

#### Earnings

Based on the unaudited pro forma consolidated statement of profit or loss as set out in Appendix II to this circular, the effect of the Possible Very Substantial Disposal on the Group's financial position as at 31 March 2020 is that loss will increase by approximately HK\$121 million. Based on rental income generated for the year ended 31 March 2020, the Group's earnings from the rental income per annum shall decrease by approximately HK\$1 million due to the Possible Very Substantial Disposal if it proceeds.

#### Assets and Liabilities

Based on the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix II to this circular, the effect of the Possible Very Substantial Disposal is that (i) properties held for development for sale will decrease by approximately HK\$371 million; (ii) trade and other receivables will decrease by approximately HK\$3 million; (iii) cash reserve will increase by approximately HK\$223 million; and (iv) trade and other payables will increase by approximately HK\$0.3 million.

### NON-PARTICIPATION AT AUCTION BY THE DIRECTORS AND THE COMPANY'S CONTROLLING SHAREHOLDER

The Directors and the Company's controlling shareholder have confirmed that they and their respective associates (as defined in the Listing Rules) will not participate in the Auction.

#### GENERAL

An application has been made by the Company to the Stock Exchange for waivers from the disclosure requirements under Rules 14.58(4) and 14.58(7) of the Listing Rules and such waivers have been granted by the Stock Exchange.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Mandate for Possible Very Substantial Disposal.

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, 11 November 2020 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not Shareholders are able to attend and vote at the SGM, they are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they so wish and, in such event, the proxy form shall be deemed to be revoked.

All resolutions put to the SGM will be voted on by way of poll.



---

## LETTER FROM THE BOARD

---

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, no Shareholder has a material interest in the Possible Very Substantial Disposal and no Shareholder is required to abstain from voting at the SGM.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the Shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, both dates inclusive. During such period, no Share transfers will be registered. In order to qualify to attend and vote at the SGM, all transfers of the Shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 5 November 2020.

### **RECOMMENDATION**

The Board is of the opinion that the Mandate for Possible Very Substantial Disposal is fair and reasonable and in the best interests of the Company and the Shareholders as a whole and the Board recommends the Shareholders to vote in favour of the resolution to approve the Possible Very Substantial Disposal to be proposed at the SGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the notice of the SGM and the information set out in the appendices to this circular.

### **WARNING**

**As the Mandate for Possible Very Substantial Disposal is conditional upon the approval of the Shareholders, the Possible Very Substantial Disposal may or may not proceed and the Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

Yours faithfully,  
By Order of the Board  
**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**  
**Koon Ho Yan Candy**  
*President and Chief Executive Officer*

## 1. FINANCIAL SUMMARY OF THE GROUP

Further information about the Group is disclosed in the last three (3) published annual reports, copies of which can be located at the hyperlinks below:

For the year ended	Hyperlink	Principal relevant pages
31 March 2020	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0706/2020070600997.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0706/2020070600997.pdf</a>	78–234
31 March 2019	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0628/ltn20190628333.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0628/ltn20190628333.pdf</a>	78–246
31 March 2018	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0629/ltn20180629311.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0629/ltn20180629311.pdf</a>	75–194

The management discussions and analyses of the Company for the three (3) years ended 31 March 2018, 2019 and 2020 are disclosed in the published annual reports of the Company respectively for the relevant periods.

## 2. WORKING CAPITAL

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

## 3. INDEBTEDNESS

As at the close of business of 31 August 2020, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$1,512 million, which were secured by charges over leasehold properties, investment properties, properties held for development for sale and properties held for sale of the Group with carrying amounts of approximately HK\$74 million, HK\$1,262 million, HK\$2,007 million and HK\$119 million respectively at 31 August 2020 and all bank borrowings were guaranteed by the Company.

Save as disclosed above, and intra-group liabilities, the Group did not have any debt securities authorized 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, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at the close of business on 31 August 2020.

**4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Although uncertainties in the global economic outlook have been caused by the softening global economic growth, trade war between US and China, and the outbreak of coronavirus disease (COVID-19), the Group maintains a cautiously optimistic view on the property market and will devote resources and efforts in increasing and replenishing its land bank for development. The Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties for recurring income and capital appreciation, at the same time expanding its loan financing business for the growth of its stable recurring income.

These strategies are intended to enable the Group to maintain its competitiveness thereby ensuring the Group's sustainability and securing the Shareholders' benefits.

**5. MATERIAL CHANGE**

The Directors confirm that, as at the Latest Practicable Date, subject to COVID-19 and other unpredictable circumstances, there has been no material adverse change in the financial or trading position or outlook of the Group since 31 March 2020, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

**UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL PROPERTIES**

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the Company is required to include in this circular an unaudited profit and loss statement for the three preceding financial years (or less, where the asset has been held by the listed issuer for a shorter period) on the identifiable net income stream in relation to the relevant assets which must be reviewed by the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

The Group through its indirect wholly-owned subsidiary, Success Active Limited, owns approximately 88.69% interest in the properties located at Nos. 472-478 Chatham Road North, Kowloon, Hong Kong (the “**Disposal Properties**”), which are currently under leases to independent third parties and for redevelopment for sale. The unaudited profit and loss statement of the Disposal Properties for the period from 31 July 2018 (date of acquisition) to 31 March 2019 and year ended 31 March 2020 (the “**Relevant Periods**”) are set out below:

	<b>Period from 31 July 2018 (date of acquisition) to 31 March 2019</b>	<b>Year ended 31 March 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>	–	–
Other income		
– Rental income	1,128	1,100
– Sundry income	18	8
Administrative expenses	(93)	(1,460)
Finance costs	–	(770)
	<hr/>	<hr/>
<b>Profit/(Loss) before taxation</b>	1,053	(1,122)
Taxation	(159)	(31)
	<hr/>	<hr/>
<b>Profit/(Loss) for the period/year</b>	<u>894</u>	<u>(1,153)</u>

Procedures have been carried out by Mazars CPA Limited, the reporting accountant of the Company, on the unaudited profit and loss statement of the Disposal Properties for the Relevant Periods as shown in the above table in accordance with Hong Kong Standard on Related Services 4400 “*Engagement to perform Agreed-Upon Procedures Regarding Financial Information*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) to assess whether such information was in agreement with the underlying books and records of the Disposal Properties.

The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement, Hong Kong Standards on Assurance Engagement or Hong Kong Standards on Investment Circular Reporting Engagement issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the profit and loss statement of the Disposal Properties.

---

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

---

### A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from the reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group for the purpose of this Circular:*

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



**MAZARS CPA LIMITED**

**中審眾環(香港)會計師事務所有限公司**  
42<sup>nd</sup> Floor, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel 電話: (852) 2909 5555  
Fax 傳真: (852) 2810 0032  
Email 電郵: info@mazars.hk  
Website 網址: www.mazars.hk

23 October 2020

The Board of Directors  
Easyknit International Holdings Limited  
7/F, Block A, Phase 6  
Hong Kong Spinners Building  
481–483 Castle Peak Road  
Cheung Sha Wan, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Easyknit International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2020 and the unaudited pro forma consolidated statement of profit or loss for the year ended 31 March 2020, and related notes as set out on pages II-4 to II-9 of the circular in connection with the proposed disposal of its entire interest in the properties located at Nos. 472–478 Chatham Road North, Kowloon, Hong Kong (the “**Proposed Disposal**”) dated 23 October 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Disposal on the Group’s financial position as at 31 March 2020 and its financial performance for the year ended 31 March 2020 as if the Proposed Disposal had taken place on 31 March 2020 and 1 April 2019 respectively. As part of this process, information about the Group’s audited consolidated financial position as at 31 March 2020 and audited consolidated financial performance for the year ended 31 March 2020 has been extracted by the Directors from the Group’s annual report for the year ended 31 March 2020.

---

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

---

### **Directors' responsibility for the unaudited pro forma financial information**

The Directors are responsible for compiling the unaudited 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 (the "**HKICPA**").

### **Reporting accountant's independence and quality control**

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 "*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountant's responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on the 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 events or transactions as at 31 March 2020 and 1 April 2019, respectively, would have been as presented.

---

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

---

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited pro forma financial information has been properly compiled by the Directors 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong

---

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

---

### B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

#### 1. INTRODUCTION

The following is a summary of illustrative unaudited pro forma financial information consisting of the unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of profit or loss, in connection with the proposed disposal of its entire interest in the properties located at Nos. 472-478 Chatham Road North, Kowloon, Hong Kong (the “**Proposed Disposal**”). The unaudited pro forma financial information presented below is prepared to illustrate the financial position of the Group immediately after completion of the Proposed Disposal (collectively referred to as the “**Remaining Group**” ) as at 31 March 2020 as if the Proposed Disposal had been completed on 31 March 2020.

The unaudited pro forma financial information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 March 2020 as extracted from the annual report of the Group for the year ended 31 March 2020 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 31 March 2020; and (ii) the audited consolidated statement of profit and loss of the Group for the year ended 31 March 2020 as extracted from the annual report of the Group for the year ended 31 March 2020 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 1 April 2019.

The unaudited pro forma financial information is presented after making pro forma adjustments that are clearly shown and explained, directly attributable to the Proposed Disposal and not relating to future events or decisions, factually supportable and clearly identified as to those that have/have no continuing effect on the Remaining Group.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Proposed Disposal and is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position and financial performance of the Remaining Group had the Proposed Disposal been completed as of 31 March 2020 or 1 April 2019, where applicable, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Group for the year ended 31 March 2020 and other financial information included elsewhere in the Circular.



**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP  
REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL**

**2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE REMAINING GROUP**

The unaudited pro forma consolidated statement of assets and liabilities of the Remaining Group as at 31 March 2020 has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2020, extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Proposed Disposal.

	Pro forma adjustments				Pro forma
	The Group at 31 March 2020 HK\$'000 (Audited) (Note 1)	HK\$'000 (Unaudited) (Note 2)	HK\$'000 (Unaudited) (Note 3)	HK\$'000 (Unaudited) (Note 4)	Remaining Group at 31 March 2020 HK\$'000 (Unaudited)
<b>Non-current assets</b>					
Property, plant and equipment	79,146	–	–	–	79,146
Right-of-use assets	1,231	–	–	–	1,231
Investment properties	1,265,040	–	–	–	1,265,040
Interests in associates	788,883	–	–	–	788,883
Interest in a joint venture	62	–	–	–	62
Finance assets at fair value through profit or loss (“FVTPL”)	100,162	–	–	–	100,162
Debt instruments at fair value through other comprehensive income (“FVTOCI”)	25,700	–	–	–	25,700
Other debt instruments at amortised cost	15,215	–	–	–	15,215
Loans receivable	13,278	–	–	–	13,278
Intangible asset	500	–	–	–	500
Deferred tax assets	2,632	–	–	–	2,632
Deposits	205	–	–	–	205
	2,292,054	–	–	–	2,292,054
<b>Current assets</b>					
Properties held for development for sale	1,984,981	(370,796)	–	–	1,614,185
Properties held for sale	118,603	–	–	–	118,603
Financial assets at FVTPL	72,696	–	–	–	72,696
Debt instruments at FVTOCI	3,843	–	–	–	3,843
Trade and other receivables	9,199	(3,137)	–	–	6,062
Tax recoverable	530	–	–	–	530
Loans receivable	223,473	–	–	–	223,473
Bank balances and cash	117,920	222,827	(179)	596	341,164
	2,531,245	(151,106)	(179)	596	2,380,556
Assets classified as held for sale	34,830	–	–	–	34,830
	2,566,075	(151,106)	(179)	596	2,415,386

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP  
REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL**

**2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE REMAINING GROUP (CONTINUED)**

	<b>The Group</b>				<b>Pro forma</b>
	<b>at 31</b>	<b>Pro forma adjustments</b>			<b>Remaining</b>
	<b>March</b>	<b>2020</b>			<b>Group</b>
	<b>2020</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>at 31</b>
	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>March</b>
	<b>(Note 1)</b>	<b>(Note 2)</b>	<b>(Note 3)</b>	<b>(Note 4)</b>	<b>2020</b>
					<b>HK\$'000</b>
					<b>(Unaudited)</b>
<b>Current liabilities</b>					
Trade and other payables	52,162	460	(179)	–	52,443
Amount due to a non-controlling shareholder	90,348	–	–	–	90,348
Tax payable	50,351	–	–	(31)	50,320
Lease liabilities	851	–	–	–	851
Secured bank borrowings	823,275	(29,873)	–	–	793,402
	<u>1,016,987</u>	<u>(29,413)</u>	<u>(179)</u>	<u>(31)</u>	<u>987,364</u>
<b>Net current assets</b>	<u>1,549,088</u>	<u>(121,693)</u>	<u>–</u>	<u>627</u>	<u>1,428,022</u>
<b>Total assets less current liabilities</b>	<u>3,841,142</u>	<u>(121,693)</u>	<u>–</u>	<u>627</u>	<u>3,720,076</u>
<b>Non-current liabilities</b>					
Secured bank borrowings	604,911	–	–	–	604,911
Lease liabilities	410	–	–	–	410
	<u>605,321</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>605,321</u>
<b>Net assets</b>	<u><u>3,235,821</u></u>	<u><u>(121,693)</u></u>	<u><u>–</u></u>	<u><u>627</u></u>	<u><u>3,114,755</u></u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP  
REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL**

**3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP**

The unaudited pro forma consolidated statement of profit or loss of the Remaining Group has been prepared based on the audited consolidated statement of profit or loss of the Group for the year ended 31 March 2020, extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Proposed Disposal.

	<b>The Group for the year ended 31 March 2020</b>			<b>Pro forma Remaining Group for the year ended 31 March 2020</b>
	<i>HK\$'000</i> (Audited) (Note 1)	<b>Pro forma adjustments</b>		<i>HK\$'000</i> (Unaudited)
		<i>HK\$'000</i> (Unaudited) (Note 2)	<i>HK\$'000</i> (Unaudited) (Note 4)	<i>HK\$'000</i> (Unaudited)
<b>Revenue</b>	63,633	–	(1,100)	62,533
Cost of properties sold and services rendered	(2,427)	–	–	(2,427)
<b>Gross profit</b>	61,206	–	(1,100)	60,106
Other income, gains and losses	11,009	–	–	11,009
Distribution and selling expenses	(13,009)	–	–	(13,009)
Administrative expenses	(57,305)	–	926	(56,379)
Loss on changes in fair value of investment properties	(196,888)	–	–	(196,888)
Write-down on properties held for sale	(578)	–	–	(578)
Write-down on properties held for development for sale	(28,573)	–	–	(28,573)
Loss on changes in fair value of financial assets at FVTPL	(28,824)	–	–	(28,824)
Release on disposal of debt instruments at FVTOCI	1,051	–	–	1,051
Impairment loss on financial assets:				
– Loans receivable, net	(29,256)	–	–	(29,256)
– Debt instruments at FVTOCI	(126)	–	–	(126)
– Other debt instrument at amortised cost	(4,353)	–	–	(4,353)
– Other receivables	(1,819)	–	–	(1,819)
Share of results of associates	(55,676)	–	–	(55,676)
Loss on deemed partial disposal of equity interests in associates	(130,957)	–	–	(130,957)
Gain on bargain purchase of additional interests in associates	200,462	–	–	200,462
Share of results of a joint venture	(1,678)	–	–	(1,678)
Loss on disposal of properties held for development for sale	–	(121,693)	–	(121,693)
Finance costs	(23,622)	–	770	(22,852)
<b>Profit/(Loss) before taxation</b>	(298,936)	(121,693)	596	(420,033)
Taxation	877	–	31	908
<b>Profit/(Loss) for the year</b>	(298,059)	(121,693)	627	(419,125)

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

### 4. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The consolidated statement of financial position of the Group as at 31 March 2020 and the consolidated statement of profit or loss of the Group for the year ended 31 March 2020 are extracted from the published annual report of the Company for the year ended 31 March 2020.
2. The Company through an indirect wholly owned subsidiary, Success Active Limited (“**Success Active**”) owns approximately 88.69% of the undivided shares of the Chatham Road North Building (as defined in this Circular) with a carrying amount as at 31 March 2020 of approximately HK\$370,796,000 and were pledged to secure a bank loan of approximately HK\$29,873,000 granted to the Group.

The adjustment reflects the loss on disposal of the Disposal Properties of HK\$121,693,000 after taking account of the market values upon redevelopment of the Disposal Properties owned less the carrying amount as at 31 March 2020.

	<i>Notes</i>	<i>HK\$'000</i>
Estimated proceeds at valuation price	<i>(i)</i>	252,700
Less: net carrying amounts of the Disposal Properties	<i>(ii)</i>	(370,796)
Less: estimated direct transaction costs and professional fees	<i>(iii)</i>	<u>(3,597)</u>
 Estimated loss on disposal of the Disposal Properties		 <u><u>(121,693)</u></u>
 Estimated proceeds at valuation price	 <i>(i)</i>	 252,700
Less: repayment of bank loan	<i>(iv)</i>	<u>(29,873)</u>
 Estimated net cash inflows		 <u><u>222,827</u></u>

The adjustment is not expected to have a continuing effect on the Remaining Group.

*Notes:*

- (i) Amount represents the market value upon redevelopment of the Disposal Properties in accordance with the valuation report prepared by an independent professional valuer.
- (ii) Amount represents the net carrying amounts of the Disposal Properties as at 31 March 2020.
- (iii) Amount represents the best estimates of the direct transaction costs and professional fees by the directors of the Company in relation to the Proposed Disposal amounting to approximately HK\$3,597,000, of which approximately HK\$3,137,000 had been prepaid.
- (iv) Amount represents the repayment of bank loan upon the completion of the Proposed Disposal as the bank loan is secured by charges over the Disposal Properties.

---

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP REGARDING THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

---

Actual gain or loss arising from the Proposed Disposal will depend on the successful bidder's bid price, actual transaction costs and professional fees incurred up to the date of completion of the Proposed Disposal. Therefore, the actual gain or loss shall be different from the amounts calculated in the above tables.

3. The adjustment reflects the transfer of rental deposits from the Disposal Properties to the successful bidder. The adjustment is not expected to have a continuing effect on the Remaining Group and there was no effect on the statement of profit or loss.
4. The adjustment reflects the exclusion of the income and expenses attributes to the Disposal Properties for the year ended 31 March 2020 as if the Proposed Disposal had been completed on 1 April 2019. The amounts have been extracted from the unaudited financial information of the Disposal Properties for the year ended 31 March 2020 (except for certain general administrative expenses incurred for daily operation which are not directly and materially attributable to the transaction, such as staff salaries, director remuneration and utilities expenses). The adjustment is not expected to have a continuing effect on the Remaining Group.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent professional valuer, in connection with the valuation of the property to be acquired by the Group as at 3 September 2020:*

**Vigers Appraisal and Consulting Limited**  
*General Practice Sector*

27/F Standard Chartered Tower,  
Millennium City 1, 388 Kwun Tong Road,  
Kowloon, Hong Kong

T: +852 6651-5330 E: GP@Vigers.com W: www.Vigers.com



23 October 2020

The Board of Directors  
**Easyknit International 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 refer to the recent instruction from “Easyknit International Holdings Limited” (referred to as the “**Company**”) and its subsidiary(ies) (together referred to as the “**Group**”) to us to value the Property to be acquired by the Group, we confirm that we have inspected the Property externally, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Property as at 3 September 2020 (the “**Date of Valuation**”).

#### **BASIS OF VALUE**

Our valuation is our opinion of market value of the Property which is defined as intended to mean “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”. Our valuation has been prepared in accordance with “The HKIS Valuation Standards (2017 Edition)” published by “The Hong Kong Institute of Surveyors” (“**HKIS**”), “RICS Valuation – Global Standards” published by the “Royal Institution of Chartered Surveyors” (“**RICS**”), relevant provisions in the Companies Ordinance and the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (Main Board) published by “The Stock Exchange of Hong Kong Limited” (“**HKEx**”). 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 a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

**APPROACH TO VALUE**

In our valuation, we have employed the direct comparison method whereby comparisons based on transactions on actual sales of comparable property have been made. Comparable property with similar character, location, sizes and so on are analyzed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of values.

**TITLE INVESTIGATION**

We have conducted land searches at the Land Registry but we have not searched the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference purposes and all dimensions, measurements and areas are therefore approximations.

**VALUATION CONSIDERATION**

External inspection to the Property was carried out by Mr. Jeff M.C. LIU *BSc(Hons)* on 20 August 2020. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Property which was covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Property is free from any structural or non-structural defect.

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Group, particularly planning approvals or statutory notices, easements, land-use rights, floor areas, occupancy status and in the identification of the Property.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us by the Group and are therefore approximations. We have had no reason to doubt the truth and accuracy of the information made available to us and we have been advised by the Group that no material facts have been omitted from the information so given.

**VALUATION ASSUMPTION**

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state assuming sale with vacant possession and without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value of the Property unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner(s) of the Property has free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent. Our valuation for the Property is carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the Property.

We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. In our valuation, we have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will have been granted for any property development erected or to be erected on the Property.

Our market value assessment of the Property is the value estimated without regard to cost(s) of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has been disregarded. In our valuation, we have assumed that the Property is free from encumbrances, restriction(s) and outgoing(s) of an onerous nature which may serve to affect the value of the Property.

### **REMARKS**

The outbreak of the “Novel Coronavirus” (“**COVID-19**”), declared by the “World Health Organisation” as a “Global Pandemic” on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks or a “second wave” is possible. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the Date of Valuation some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinion of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to “Material Valuation Uncertainty” as defined by VPS3 and VPGA10 of the “RICS Valuation – Global Standards” published by RICS as well as “Material Uncertainty” as set out in “VS9 Reporting” of “The HKIS Valuation Standards (2017 Edition)” published by the HKIS, except as identified below. In respect of the sector in which the property is being classified, as at the Date of Valuation we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant or sufficient market evidence on which to base our judgement. Our valuation of the property is therefore reported as being subject to “Material Valuation Uncertainty” as set out in VPS3 and VPGA10 of the “RICS Valuation – Global Standards” published by RICS as well as “Material Uncertainty” as set out in “VS9 Reporting” of “The HKIS Valuation Standards (2017 Edition)” published by the HKIS. Consequently, in respect of the valuation less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, this explanatory note, including the “Material Valuation Uncertainty” declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Date of Valuation.

Unless otherwise stated, all monetary amounts stated herein are denoted in the currency of Hong Kong Dollars (“**HK\$**”), the lawful currency of Hong Kong.



We enclose herewith the core content of our valuation report.

Yours faithfully,  
For and on behalf of  
**VIGERS APPRAISAL AND CONSULTING LIMITED**

**David W. I. CHEUNG**  
*MRICS MHKIS RPS(GP) CREA*  
*RICS Registered Valuer*  
*Executive Director*

**Eric W. L. TANG**  
*MRICS*  
*RICS Registered Valuer*  
*Director*

*Note:* Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 37 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom, Canada and the United States of America, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has over 15-year of experience with Vigers Appraisal and Consulting Limited.

Mr. Eric W. L. Tang is a Member of the Royal Institution of Chartered Surveyors with over 17 years' valuation experience on property in various regions including Hong Kong, Macao and the PRC. Mr. Tang has over 13-year of experience with Vigers Appraisal and Consulting Limited.

## PROPERTY VALUATION REPORT

## Property to be acquired by the Group

The Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
<p>2/F of No. 474 Chatham Road North, 1/F of No. 476 Chatham Road North, Front Portion of 3/F and Front Portion of 6/F of No. 478 Chatham Road North, Nos. 472–478 Chatham Road North, To Kwa Wan, Kowloon, Hong Kong (the “Property”).</p>	<p>Completed in 1957, Nos. 472–478 Chatham Road North (the “Development”) is located at the southeast side of Chatham Road North at its junction of Shek Tong Street in To Kwa Wan district of Kowloon Peninsula in Hong Kong. The Development comprises two 6-storey and one 5-storey of tenement buildings erected over 1 storey of commercial podium.</p>	<p>According to the information provided by the Group, the Property is currently owner-occupied.</p>	<p>i. The existing use value of the Property assuming sale with the benefit of immediate vacant possession is HK\$21,900,000 only.</p>
<p>No parts or parcels of ground known and registered in the Land Registry as The Remaining Portion of Section A of Kowloon Inland Lot No. 1526 (known as No. 472 Chatham Road North).</p>	<p>Upon our inspection and according to the information provided by the Group, the Property comprises 4 residential units with a total saleable area of approximately 245.70 square metres (or 2,646 square feet). The breakdown of areas of the Property is listed in Note 3. Below.</p>		<p>ii. The site value of the 100% interests of the Site assuming bare site status upon redevelopment is HK\$283,000,000 only.</p>
<p>1/6th parts or parcels of ground known and registered in the Land Registry as Sub-Section 3 of Section A of Kowloon Inland Lot No. 1526 (known as No. 474 Chatham Road North).</p>	<p>The Property is erected on 4 parcel of sites with a total registered site area of 350.90 square metres (or 3,777 square feet) approximately including a scavenging lane with the area of approximately 32.89 square metres (or 354 square feet).</p>		<p>iii. The site value attributable to the Property is HK\$30,300,000 only.</p>
<p>1/7th parts or parcels of ground known and registered in the Land Registry as The Remaining Portion of Sub-Section 1 of Section A of Kowloon Inland Lot No. 1526 (known as No. 476 Chatham Road North).</p>	<p>Kowloon Inland Lot No. 1526 is held under Government Lease for a term of 75 years renewable for 75 years.</p>		<p>(Note: Please also refer to Note 4 below for further details)</p>
<p>2/14th parts or parcels of ground known and registered in the Land Registry as Sub-Section 2 of Section A of Kowloon Inland Lot No. 1526 (known as 478 Chatham Road North).</p>			

*Notes:*

1. Pursuant to the recent land registration record, the current registered owner of the Property are listed as below:

<b>Property</b>	<b>Registered Owner and Last Transaction</b>
2/F of No. 474 Chatham Road North	HARBOURVIEW INTERNATIONAL HOLDINGS LIMITED vide Memorial No. 07072301760037 dated 25th June 2007
1/F of No. 476 Chatham Road North	CHU CHUN MING vide Memorial No. UB4390417 dated 3rd December 1988
Front Portion of 3/F of No. 478 Chatham Road North	FOK SIU BING vide Memorial No. UB6259043 dated 28th February 1995
Front Portion of 6/F of No. 478 Chatham Road North	YAU YEE HOLDING LIMITED vide Memorial No. 08013000630124 dated 31st December 2007

2. Pursuant to the recent land registration record, the Property is subject to the following salient encumbrances:

<b>Property</b>	<b>Encumbrances</b>
2/F of No. 474 Chatham Road North	<ol style="list-style-type: none"> <li>Deed of Mutual Covenant &amp; Grant vide Memorial No. UB257224 dated 22nd January 1957;</li> <li>Order No. DR00140/K/10 by the Building Authority under Section 28(3) of the Building Ordinance vide Memorial 10051300570140 dated 9th April 2020;</li> <li>Sealed Copy of Form 32 Notice of Application to Lands Tribunal for an order for sale in favour of Success Active Limited (Applicant), Harbourview International Holdings Limited (1st Respondent), Chu Chun Ming (2nd Respondent), Lau Hung (3rd Respondent), Fok Siu Bing (4th Respondent), Yau Yee Holding Limited (5th Respondent) vide Memorial No. 18120400510015 dated 29th November 2018 (Remarks: under Land (Compulsory Sale for Redevelopment) Ordinance pursuant to Section 3(1) Land Compulsory Sale Main Application No. LDCS 31000/2018);</li> <li>Notice No. "UMB/BAMB01/1801-186/0002" under Section 30B(3) of The Buildings Ordinance by the Building Authority vide Memorial No. 19111901230143 dated 18th September 2019 (Remarks: for common part(s) only); and</li> <li>Notice No. "UMB/BAMB01/1801-186/0002" under Section 30C(3) of The Buildings Ordinance by the Building Authority vide Memorial No. 19111901230152 dated 18th September 2019 (Remarks: for common part(s) only)</li> </ol>
1/F of No. 476 Chatham Road North	<ol style="list-style-type: none"> <li>Deed of Mutual Covenant and Grant vide Memorial No. UB267295 dated 10th August 1957;</li> <li>Order No. DR00145/K/10 by The Building Authority under Section 28(3) of The Buildings Ordinance vide Memorial No. 10051300570103 dated 9th April 2010;</li> <li>Order No. C/TE/000091/12/K by The Building Authority under Section 24(1) of The Buildings Ordinance vide Memorial No. 12050801920138 dated 3rd February 2012; and</li> <li>Sealed Copy of Form 32 Notice of Application to Lands Tribunal for an order for sale in favour of Success Active Limited (Applicant), Harbourview International Holdings Limited (1st Respondent), Chu Chun Ming (2nd Respondent), Lau Hung (3rd Respondent), Fok Siu Bing (4th Respondent), Yau Yee Holding Limited (5th Respondent) vide Memorial No. 18120400510015 dated 29th November 2018 (Remarks: under Land (Compulsory Sale for Redevelopment) Ordinance pursuant to Section 3(1) Land Compulsory Sale Main Application No. LDCS 31000/2018)</li> </ol>
Front Portion of 3/F of No. 478 Chatham Road North	<ol style="list-style-type: none"> <li>Deed of Mutual Covenant and Grant vide Memorial No. UB266148 dated 10th August 1957;</li> </ol>

**Property**

**Encumbrances**

2. Order No. DR00146/K/10 by The Building Authority under Section 28(3) of The Buildings Ordinance vide Memorial No. 10051300570112 dated 9th April 2010; and
3. Sealed Copy of Form 32 Notice of Application to Lands Tribunal for an order for sale in favour of Success Active Limited (Applicant), Harbourview International Holdings Limited (1st Respondent), Chu Chun Ming (2nd Respondent), Lau Hung (3rd Respondent), Fok Siu Bing (4th Respondent), Yau Yee Holding Limited (5th Respondent) vide Memorial No. 18120400510015 dated 29th November 2018 (Remarks: under Land (Compulsory Sale for Redevelopment) Ordinance pursuant to Section 3(1) Land Compulsory Sale Main Application No. LDCS 31000/2018)
- Front Portion of 6/F of No. 478 Chatham Road North
1. Deed of Mutual Covenant and Grant vide Memorial No. UB266148 dated 10th August 1957;
2. Mortgage by Yau Yee Holding Limited in favour of Wing Lung Bank Limited for all monies vide Memorial 08013000630113 dated 31st December 2007;
3. Order No. DR00146/K/10 by The Building Authority under Section 28(3) of The Buildings Ordinance vide Memorial No. 10051300570112 dated 9th April 2010; and
4. Sealed Copy of Form 32 Notice of Application to Lands Tribunal for an order for sale in favour of Success Active Limited (Applicant), Harbourview International Holdings Limited (1st Respondent), Chu Chun Ming (2nd Respondent), Lau Hung (3rd Respondent), Fok Siu Bing (4th Respondent), Yau Yee Holding Limited (5th Respondent) vide Memorial No. 18120400510015 dated 29th November 2018 (Remarks: under Land (Compulsory Sale for Redevelopment) Ordinance pursuant to Section 3(1) Land Compulsory Sale Main Application No. LDCS 31000/2018)
3. As measured from the approved General Building Plans and the information from the Rating and Valuation Department, the floor areas of the Property are tabulated as follows:

**Property**

**Saleable Area**

2/F of No. 474 Chatham Road North	60.90 square metres or 656 square feet
1/F of No. 476 Chatham Road North	57.40 square metres or 618 square feet
Front Portion of 3/F of No. 478 Chatham Road North	63.70 square metres or 686 square feet
Front Portion of 6/F of No. 478 Chatham Road North	63.70 square metres or 686 square feet
<b>Total</b>	<b>245.70 square metres or 2,646 square feet</b>

4. The breakdown market value and the site value attribute to the property are summarized as follows.

<b>Property</b>	<b>Existing Use Value</b>	<b>Site Value attribute to the property</b>
2/F of No. 474 Chatham Road North	HK\$5,500,000	HK\$7,600,000
1/F of No. 476 Chatham Road North	HK\$5,200,000	HK\$7,200,000
Front Portion of 3/F of No. 478 Chatham Road North	HK\$5,700,000	HK\$7,900,000
Front Portion of 6/F of No. 478 Chatham Road North	HK\$5,500,000	HK\$7,600,000
<b>Total</b>	<b>HK\$21,900,000</b>	<b>HK\$30,300,000</b>

5. The Development is located at the southeast side of Chatham Road North at its junction of Shek Tong Street in To Kwa Wan district of Kowloon Peninsula in Hong Kong. The locality is a traditional residential area dominated by low to medium rise residential buildings with various ages. The accessibility is considered reasonable with public transportation such as buses, light buses and taxis well served. The proposed MTR Ma Tau Wai Station will be located with 10 minutes' walk away from the Property.

6. Pursuant to Government Lease of Kowloon Inland Lot No. 1526, the property is subject to the salient land lease conditions extracted as follows:

*“...the said Lessee, their Executors, Administrators or Assigns, or any other person or persons, shall not nor will, during the continuance of this demise, use, exercise or follow, in or upon the said premises, or any part thereof, the trade or business of a Brazier, Slaughterman, Soap-maker, Sugar-baker, Fellmonger, Melter of tallow, Oilman, Butcher, Distiller, Victualler, or Tavern-keeper, Blacksmith, Nightman, Scavenger, or any or other noisy, noisome or offensive trade or business whatever, without the previous licence of His Majesty...”*

7. The Property falls within an area zoned “Residential Group A” on Approved Hung Hom Outline Zoning Plan No. S/K9/26 (the “**Outline Zoning Plan**”) exhibited on 10th November 2017. According to the explanatory note attached to the Outline Zoning Plan, on land designated “Residential Group A”, no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in the plot ration for the building upon development and/or redevelopment in excess of 7.5 for a domestic building or 9.0 for a building that is partly domestic and partly non-domestic, or the plot ratio of the existing building, whichever is the greater; and in a total development and/or redevelopment in excess of a maximum building heights of 120 metres, in terms of metres above Principal Datum, whichever is the greater.
8. In our valuation, we have compared the asset with identical or comparable (that is similar) assets for which price information is available. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of value.

The unit rates of comparable transactions are in the range of about HK\$7,516 to HK\$9,188 per square foot for domestic units. Our valuation falls within these ranges.

9. In assessing the site value attributable to the Property, we have apportioned the 100% site value in accordance with the proportion of the existing use value of the Property to the total existing use value of all the units in the Development with a total saleable area of approximately 1,827.8 square metres (or 19,674 square feet) currently erected on the Site, which is assessed to be HK\$205,400,000 only. No allowance has been given to the possible costs, which are required for the amalgamation of the 100% shares of the Lot either by private negotiation or by the compulsory sale order under Land (Compulsory Sale For Redevelopment) Ordinance (Cap. 545).
10. We note that aforesaid Order No. DR00140/K/10, Notice No. “UMB/BAMB01/1801-186/0002”, Notice No. “UMB/BAMB01/1801-186/0002”, Order No. DR00145/K/10, Order No. C/TE/000091/12/K, Order No. DR00146/K/10 were registered in the Property. In the course of our valuation, we have assumed the aforesaid Orders and Notices have been complied with and to the satisfaction of the Building Authority; and no allowance has been made for remedial work(s), if any.
11. Pursuant to the instruction given by the Group, we have assessed the existing use values and the site values attributable to the remaining units of the Development which held by the Group are HK\$183,500,000 and HK\$252,700,000 respectively as at the Date of Valuation.

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2018, 2019 AND 2020 (EXTRACTED FROM THE ANNUAL REPORTS OF THE COMPANY FOR THE RELEVANT YEARS)**

**FOR THE YEAR ENDED 31 MARCH 2020**

**Business Review**

During the year, the Group was principally engaged in property development, property investment, securities investment and loan financing businesses. The review of each business segment of the Group is set out below.

*(i) Property Development*

One of the core businesses of the Group is property development. The Group has extensive experience in property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. As the Group did not roll out new properties during the year, there was no revenue recorded from the property development segment for the year (2019: HK\$755,880,000). Below are the existing major projects of the Group:

*1. Project Waterloo*

The Group, through its wholly-owned subsidiary, owns the site at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (also known as the Remaining Portion of Section C of Kowloon Inland Lot No. 2145) which has a site area of approximately 9,800 sq. ft. (the “**Waterloo Site**”).

The Waterloo Site is being developed into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,977 sq. ft. The development works are in progress and are expected to be completed in mid 2022.

*2. Chatham Road North*

The Company, through its wholly-owned subsidiary, holds more than 80% of the properties at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North**”). The total site area of Chatham Road North is approximately 4,653 sq. ft. On 29 November 2018, the Company filed an application to the Lands Tribunal for an order to auction all the undivided shares of Chatham Road North (including those owned by the Group) for the purposes of redevelopment.

If the Group successfully acquires all the remaining units, the Chatham Road North site will be 100% owned by the Group and will be developed into a composite building with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,597 sq. ft..

Details of Chatham Road North are set out in the announcements of the Company dated 16 May 2018, 8 June 2018 and 30 November 2018 respectively and the circular of the Company dated 25 June 2018.

### 3. *Inverness Road Property – “Ayton”*

“Ayton” is a residential building on Inverness Road, Kowloon, Hong Kong (also known as New Kowloon Inland Lot No. 6573) developed by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces. The total saleable area of approximately 40,742 sq. ft. The Group has launched its first phase of the sale of “Ayton” in May 2020.

#### **(ii) *Property Investment***

Another core business of the Group is property investment. The Group’s investment properties comprise residential, commercial and industrial properties in Hong Kong.

During the year, the total rental income of the Group was approximately HK\$38,957,000 (2019: approximately HK\$54,892,000), representing an approximately 29.0% decrease over the last year. The decrease in rental income was primarily due to the disposal of Easy Tower (an industrial building located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong) which was completed on 8 March 2019, as well as the adjustment of rent for the shop spaces at Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong. Details of the disposal of Easy Tower are disclosed in the announcement of the Company dated 21 November 2018 and the circular of the Company dated 12 February 2019.

As at 31 March 2020, the occupancy rate of commercial units and industrial units of the Group’s investment properties were 99% and 77% respectively. Income from building management for the year amounted to approximately HK\$1,189,000, an increase of approximately HK\$205,000 compared to last year (2019: approximately HK\$984,000). A loss on changes in fair value of investment properties of approximately HK\$196,888,000 (2019: gain of approximately HK\$126,430,000) was recognized during the year. The overall results for the property investment segment was approximately a loss of HK\$178,691,000 for the year (2019: profit of HK\$162,264,000), representing a decrease of approximately HK\$340,955,000 compared to last year.

#### **(iii) *Securities Investment***

The Group maintains a portfolio comprising blue-chip stocks and top-tier investments products which generate high yield in Hong Kong. The Group takes into account the following criteria when determining whether to take up an investment opportunity: (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group’s risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

During the year, the Group had several major acquisitions and disposals of securities investments which were as follows:

1. *Purchases of CCB ELNs*

On 15 May 2019 and 8 July 2019, the Company, through its wholly-owned subsidiary, purchased the equity-linked notes (“ELNs”) of China Construction Bank Corporation (“CCB”) (stock code: 939) in the principal amounts of HK\$10,000,000 and HK\$14,000,000 respectively. The coupon rate for these ELNs was 15% per annum and through such purchases, the Group received the total interest income of approximately HK\$475,000 during the year under review. Details of the purchases can be found in the announcements of the Company dated 20 May 2019 and 11 July 2019 respectively.

2. *Disposals of HSBC Shares*

During the period from 27 August 2019 to 30 August 2019, the Company, through its wholly-owned subsidiary, on-market disposed of in aggregate 631,700 shares of HSBC Holdings plc (“HSBC”) (stock code: 5). The aggregate selling price was approximately HK\$35,452,000 (excluding transaction costs) and the average selling price (excluding transaction costs) was approximately HK\$56.121 per HSBC shares. The Group recorded a loss of approximately HK\$4,567,000 through such disposals, which was calculated on the basis of the difference between the book value of the HSBC shares disposed by the Group as at 31 July 2019 and the aggregate gross sales proceeds (excluding transaction costs). After the disposals, the Group no longer owns any HSBC shares. Details of the disposals can be found in the announcement of the Company dated 30 August 2019.

3. *Subscription of Convertible Note*

The Company, through Goodco Development Limited (“Goodco”) (a wholly-owned subsidiary of the Company), as subscriber, entered into a subscription agreement dated 17 June 2019 with Eminence Enterprise Limited (“Eminence”) (stock code: 616), as issuer, relating to the issue by Eminence to Goodco a convertible note in the principal amount of HK\$70,000,000, conferring Goodco the rights to convert at any time before 28 August 2024 the principal amount into the shares of Eminence (“Eminence Share(s)”) at a conversion price which is currently HK\$0.91 per Eminence Share (after adjustment). The completion took place on 28 August 2019. If the conversion rights attaching to the convertible note are exercised in full at the conversion price of HK\$0.91 per Eminence Share, a total of up to 76,923,076 Eminence Shares will be allotted and issued to Goodco. During the year, no exercise of the conversion rights under such convertible note was made and the outstanding principal amount held by Goodco as at 31 March 2020 was HK\$70,000,000. As at 31 March 2020, the Group received a total interest income of approximately HK\$1,248,000 from such convertible note. Details of the issue of the convertible note are set out in the joint announcement of the Company and Eminence dated 17 June 2019 and the circular of Eminence dated 2 August 2019.



#### 4. *Acquisitions of Eminence Shares*

Eminence was an associate of the Group during the year. During the period from 12 February 2020 to 2 March 2020, the Company, through Ace Winner Investment Limited (“**Ace Winner**”) (a wholly-owned subsidiary of the Company), acquired on-market a total of 71,055,000 Eminence Shares, representing approximately 7.63% of the then total issued share capital of Eminence. The aggregate purchase price was approximately HK\$39,266,350 (exclusive of transaction costs) and the average purchase price per Eminence Share (exclusive of transaction costs) was approximately HK\$0.553. Through such acquisitions, Ace Winner became a substantial shareholder of Eminence. As at 31 March 2020, the Group, through Ace Winner, Landmark Profits Limited (“**Landmark Profits**”) and Goodco (all of which are wholly-owned subsidiaries of the Company), holds a total of 255,887,665 Eminence Shares, representing approximately 27.47% of the total issued share capital of Eminence. As the fair value of the net assets attributable to Eminence Shares acquired by Ace Winner was higher than the aggregate purchase price, the Group recorded a gain on bargain purchase of additional interests in associates of approximately HK\$200,462,000. Details of the acquisitions can be found in the announcements of the Company dated 13 February 2020 and 21 February 2020 respectively and the circular of the Company dated 5 March 2020.

As at 31 March 2020, the Group recorded a loss in fair value of financial assets at fair value through profit or loss of approximately HK\$28,824,000 (2019: loss of approximately HK\$21,794,000). As a result, the Group reported a segment loss of approximately HK\$24,385,000 (2019: loss of approximately HK\$19,575,000) during the year under review. The Group received dividend income from the listed securities of approximately HK\$2,282,000 (2019: HK\$7,409,000) during the year under review.

The Group considers the prospects in respect of the listed shares investments are healthy. The Board understands that the performance of the investments may be affected by volatility in the Hong Kong stock market and subject to other external factors. Accordingly, the Group will continue to maintain a diversified portfolio of investments in different segments of markets to minimize the possible financial risks. The Group will also closely monitor the performance and progress of the investment portfolio from time to time.

As at 31 March 2020, the Group’s investment in equity securities listed in Hong Kong amounted to approximately HK\$61,411,000 (2019: approximately HK\$105,666,000). It was derived from (i) a conversion of equity-linked investments of approximately HK\$25,566,000; (ii) net disposal of securities of approximately HK\$74,978,000; (iii) net acquisition of securities of approximately HK\$3,529,000; and (iv) net decrease in the market value of securities investments of approximately HK\$13,314,000 during the year under review. As at 31 March 2020, the Group’s investment portfolio comprises 6 (2019: 5) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Group's significant securities investments as at 31 March 2020 were as below:

Company name (stock code)	Number of shares held	Approx. % held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2020 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2020 HK\$'000	Fair value at 31 March 2020 HK\$'000	Approx. % of total assets of the Group at 31 March 2020 %
Best Food Holding Company Limited (1488)	17,364	1.10	21,837	–	(8,824)	12,155	1.27
Other listed shares*	10,306	–	56,715	2,282	(4,490)	49,256	1.02
Grand total:			<u>78,552</u>	<u>2,282</u>	<u>(13,314)</u>	<u>61,411</u>	<u>2.29</u>

\* Other listed shares included 5 companies whose shares are listed on the Main Board of the Stock Exchange.

#### (iv) Loan Financing

For the year ended 31 March 2020, the Group recorded interest income from the loan financing business amounting to approximately HK\$23,487,000 (2019: approximately HK\$18,591,000), representing approximately 26.3% increase comparing to last year. Loss derived from loan financing business was approximately HK\$22,279,000 for the year ended 31 March 2020 (2019: profit of approximately HK\$14,889,000). The carrying amount of loans receivable as at 31 March 2020 was approximately HK\$236,751,000 (2019: approximately HK\$206,674,000). At 31 March 2020, the net impairment allowance recognized in profit or loss amounted to approximately HK\$29,256,000 (2019: approximately HK\$273,000) in its loan financing business.

Below were the major transactions of the Group on loan financing business during the year:

1. *Co-lending Agreement*

On 18 June 2019, Planetic International Limited (“**Planetic**”), a wholly-owned subsidiary of the Company, entered into a co-lending agreement with STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which, inter alia, Planetic, STI and China Yinsheng, as co-lenders, agreed to enter into a loan agreement with an independent third party, as borrower, and make available to the borrower, an aggregate loan of HK\$64,000,000 (of which HK\$45,000,000 was from Planetic) for a period of twelve (12) months from the drawdown date. The interest rate charged by Planetic was 8.50% per annum. Such loan was secured by charge on properties of the borrower. For the year under review, the Group received a total interest income from such lending of approximately HK\$3,088,000. Further information can be found in the announcement of the Company dated 18 June 2019.

2. *Sale of Junior Notes*

Charming Flash Limited (“**Charming Flash**”) (a wholly-owned subsidiary of the Company), as subscriber, entered into a junior notes subscription agreement dated 31 October 2018 with Golden Glow Limited (the “**Issuer**”), as issuer, pursuant to which Charming Flash subscribed for the junior notes (the “**Junior Notes**”) issued by the Issuer in the amount of US\$4,500,000 (equivalent to approximately HK\$35,100,000) at an interest rate of 14.65% per annum.

Charming Flash later entered into a tripartite agreement (the “**Tripartite Agreement**”) dated 20 February 2020 with Green Heyday Limited (“**Green Heyday**”) and the Issuer, under which Charming Flash agreed to sell and Green Heyday agreed to acquire, the Junior Notes at the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). The consideration will be paid by three (3) instalments. Charming Flash will have all rights attached or accruing to the Junior Notes, including the rights to receive all payments, dividends and distributions from the Junior Notes, until such time as it receives full payment of the consideration from Green Heyday and completes the sale and purchase of the Junior Notes under the Tripartite Agreement. As at 31 March 2020, US\$2,000,000 (equivalent to approximately HK\$15,480,000) of consideration had been received. The Company is expected to recognize a gain of approximately US\$200,000 (equivalent to approximately HK\$1,560,000) from the sale, which is calculated on the basis of the difference between the face value of the Junior Notes of US\$4,500,000 (equivalent to approximately HK\$35,100,000) as at 20 February 2020 and the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). For the year under review, the Group received a total interest income from the Junior Notes of approximately HK\$1,201,000.

Further information can be found in the announcements of the Company dated 11 August 2017, 2 November 2018 and 20 February 2020 respectively.

### 3. *Default of Loan Agreement*

Great Sail Global Limited (a wholly-owned subsidiary of the Company) (“**Great Sail**”), as lender, entered into a facility agreement dated 16 November 2016 (the “**2016 Facility Agreement**”) with Fortunate Gravity Hongkong Limited (“**Fortunate Gravity**”), as borrower, in relation to the granting of a loan in the principal amount of HK\$100,000,000 (the “**2016 Loan**”) from Great Sail to Fortunate Gravity. The 2016 Facility Agreement was supplemented and amended by supplemental agreements and consent letters. The 2016 Loan was secured by share charges and personal guarantee.

Great Sail later entered into a loan agreement dated 19 December 2018 (the “**Loan Agreement**”) with Fortunate Gravity, under which Great Sail granted to Fortunate Gravity a loan in the principal amount of HK\$40,000,000 (the “**2018 Loan**”) which was exclusively for the repayment of the outstanding principal amount under the 2016 Facility Agreement which was HK\$40,000,000 as at the date of signing of the Loan Agreement. The loan period was for a period of twelve (12) months from the date of drawdown. The 2018 Loan was secured by share charges and personal guarantee.

Great Sail later entered into an amendment agreement dated 5 February 2020 (the “**Amendment Agreement**”) with Fortunate Gravity, the shareholders of Fortune Gravity and Wang Jie, as guarantor, pursuant to which, inter alia, Great Sail conditionally agreed to amend the Loan Agreement and extend the maturity date of the 2018 Loan under the Loan Agreement for a period of twelve (12) months from 19 December 2019 up to 18 December 2020. The interest rate of the 2018 Loan under the Amendment Agreement was 16% per annum and as per the confirmatory share charges and confirmatory guarantee dated 5 February 2020, inter alia, the 2018 Loan will continue to be secured by the share charges and personal guarantee.

However, as Fortunate Gravity failed to pay the due interest on 28 February 2020, an event of default had occurred under the Loan Agreement (as amended by the Amendment Agreement) and on 12 March 2020, Great Sail initiated the process of enforcement of the share charges and enforcement of its rights generally under the Loan Agreement (as amended by the Amendment Agreement).

Further information can be found in the announcements of the Company dated 17 November 2016, 16 November 2017, 14 February 2018, 14 August 2018, 17 September 2018, 20 December 2018, 5 February 2020, 11 February 2020, 12 March 2020 and 16 March 2020 respectively and the circulars of the Company dated 8 December 2016 and 7 December 2017 respectively.

**Financial Review**

	<b>Year ended 31 March</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	63,633	830,347	(766,714)
<b>Gross profit</b>	61,206	353,892	(292,686)
Gross profit margin	96.2%	42.6%	53.6%
Distribution and selling expenses	(13,009)	(53,044)	40,035
Administrative expenses	(57,305)	(60,226)	2,921
Finance costs	(23,622)	(23,043)	(579)
<b>(Loss)/profit before taxation</b>	(298,936)	354,985	(653,921)
Taxation	877	(39,171)	40,048
<b>(Loss)/profit for the year</b>	(298,059)	315,814	(613,873)
<b>(Loss)/profit for the year attributable to shareholders of the Company</b>	(297,755)	315,959	(613,714)
Net (loss)/profit margin	(468.4%)	38.0%	(506.4%)
<b>(Loss)/earnings per share</b>			
Basic and diluted	<u>HK\$(3.26)</u>	<u>HK\$3.52</u>	<u>HK\$(6.78)</u>

**Revenue**

For the year ended 31 March 2020, the Group's revenue decreased by approximately 92.3% to approximately HK\$63,633,000 as compared with last year of approximately HK\$830,347,000 which was mainly due to a decrease in rental income as well as revenue from property sales as the Group did not roll out new properties during the year.

**Gross Profit/Margin**

Gross profit of the Group for the year ended 31 March 2020 was approximately HK\$61,206,000, representing a decrease of approximately 82.7% or approximately HK\$292,686,000 as compared to approximately HK\$353,892,000 in 2019. Gross profit margin for the year reached approximately 96.2% (2019: approximately 42.6%), representing an increase of approximately 53.6% over the last financial year.

**Loss before Taxation**

Loss before taxation of the Group for the year ended 31 March 2020 was approximately HK\$298,936,000, as compared with profit before taxation of HK\$354,985,000 last year.

Distribution and selling expenses of the Group decreased from approximately HK\$53,044,000 to approximately HK\$13,009,000, a decrease of approximately 75.5% as compared with last year.

Administrative expenses of the Group were approximately HK\$57,305,000, a decrease of approximately 4.9% over last year of approximately HK\$60,226,000.

During the year under review, there was a loss on changes in fair value of investment properties amounting to approximately HK\$196,888,000 (2019: gain of approximately HK\$126,430,000).

Finance costs of the Group for the year was approximately HK\$23,622,000, representing an increase of approximately HK\$579,000 or approximately 2.5% from approximately HK\$23,043,000 in 2019.

#### *Loss for the Year and Loss per Share*

Loss for the year ended 31 March 2020 was approximately HK\$298,059,000 (2019: profit of approximately HK\$315,814,000). Net loss margin of this year was approximately 468.4% as compared to the net profit margin of approximately 38.0% of last year.

For the year ended 31 March 2020, the taxation credit was approximately HK\$877,000 (2019: taxation charge of approximately HK\$39,171,000).

Basic and diluted loss per share for the year ended 31 March 2020 was approximately HK\$3.26 as compared to basic and diluted earnings per share of approximately HK\$3.52 in last year.

#### *Liquidity and Financial Resources*

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2020, the Group's bank borrowings amounted to approximately HK\$1,428,186,000 (2019: approximately HK\$1,285,984,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.44 (2019: approximately 0.36).

As at 31 March 2020, the Group has net current assets of approximately HK\$1,549,088,000 (2019: approximately HK\$1,690,736,000). Current ratio was approximately 2.5 (2019: approximately 2.8). The bank balances and cash as at 31 March 2020 was approximately HK\$117,920,000, representing a decrease of approximately 38.5% or approximately HK\$73,750,000, compared to last year of approximately HK\$191,670,000.

#### *Capital Structure*

As at 31 March 2020, the total number of issued ordinary shares of the Company (the "Shares") was 91,320,403 Shares (31 March 2019: 91,320,403 Shares), and the nominal value per Share was HK\$0.1 (2019: HK\$0.1). The total share capital of the Company was therefore approximately HK\$9,132,000 (31 March 2019: approximately HK\$9,132,000).

***Charges of Assets***

As at 31 March 2020, bank loans amounting to approximately HK\$1,428,186,000 (2019: approximately HK\$1,285,984,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policy, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$3,480,944,000 (2019: approximately HK\$3,064,625,000). In addition, 71,500,000 Eminence Shares with fair value of HK\$33,041,000 (2019: nil) held by a subsidiary of the Group is pledged to a bank.

***Exposure on Foreign Exchange Fluctuations***

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

***Material Acquisitions and Disposals of Subsidiaries or Associated Companies***

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2020.

***Contingent Liabilities***

The Group did not have any significant contingent liabilities as at 31 March 2020 (2019: nil).

***Capital Expenditure***

For the year ended 31 March 2020, the Group invested approximately HK\$32,000 (2019: approximately HK\$232,000) on the acquisition of property, plant and equipment, and spent approximately HK\$3,128,000 (2019: approximately HK\$4,743,000) on additions of investment properties.

***Capital Commitments***

As at 31 March 2020, the Group had no capital commitments in respect of capital expenditure contracted for but not provided (2019: nil).

**Proposed Spin-off**

On 12 May 2017, the Company submitted a spin-off and separate listing proposal of the Group's residential property business (the "**Proposed Spin-off**") to the Stock Exchange and on 24 October 2017, the Stock Exchange agreed that the Company may proceed with the Proposed Spin-off. However, on 29 March 2019, the Company received a letter from the Stock Exchange rejecting the Proposed Spin-off on the basis that the Company did not satisfy certain requirements of Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange as introduced in February 2018. After several rounds of review, appeals and hearings, the Listing Committee on 13 August 2019 upheld its decision of rejecting the Proposed Spin-off. As such, the Company decided not to further appeal nor proceed with the Proposed Spin-off.

For further details, please refer to the Company's announcements dated 27 October 2017, 9 April 2019, 17 May 2019, 24 May 2019 and 14 August 2019 respectively.

**Full Acceptance of Allotment under the Rights Issue of Eminence**

On 4 November 2019, the Company, through its wholly-owned subsidiaries, Landmark Profits and Goodco, owned 739,330,692 Eminence Shares. Goodco had irrevocably undertaken to Eminence that it would not exercise any conversion rights under, or transfer, the convertible notes held by it before close of business on the record date. Each of Landmark Profits and Goodco had irrevocably undertaken to Eminence and the underwriter that Eminence Shares beneficially owned by it would not be disposed of or transferred from the date of the undertakings (i.e. 4 November 2019) before close of business on the record date, that the rights shares to be allotted in respect of those consolidated shares would be taken up in full, representing a total of 147,866,132 rights shares and it would not apply for any excess rights shares. Further information can be found in the Company's joint announcement with Eminence dated 6 November 2019 (as supplemented by a further announcement dated 18 November 2019).

**Employees**

As at 31 March 2020, the Group had 32 employees (2019: 33). Staff costs (including Directors' emoluments) amounted to approximately HK\$30,600,000 for the year under review (2019: approximately HK\$63,647,000). 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 Hong Kong's employees. The Group has a share option scheme to motivate employees.



**Events After Reporting Period**

- (1) On 21 May 2020, the Company, through Ace Winner, a wholly-owned subsidiary of the Company, purchased an ELN of CCB for a principal amount of HK\$50,000,000 (exclusive of transaction costs). The coupon rate is 15% per annum, issue price is HK\$6.270 per CCB share, strike price is HK\$5.806 per CCB share. The first valuation date is 6 July 2020, the final valuation date is 4 August 2020 and the maturity date is 11 August 2020. Details can be found in the announcement of the Company dated 22 May 2020.
- (2) The outbreak of coronavirus disease 2019 (“**COVID-19**”) has a severe negative impact on the retail property market in Hong Kong. The fair value of the Group’s investment properties which are mainly comprised of commercial properties is expected to decrease in 2020. Besides, the fair value of the residential and commercial properties held by the Group’s associates, Eminence, for leasing are also affected if the rental income for the residential and commercial properties by the associates will be reduced in 2020.

Given the unpredictability of future development of COVID-19, the impacts to the Group cannot be reliably quantified or estimated at the date of issuing the consolidated financial statement. The Company will continue to closely monitor the situation. The actual financial effects, if any, will be reflected in the Group’s future financial statements.

**Prospects**

Although uncertainties in the global economic outlook have been caused by the softening global economic growth, trade war between US and China and outbreak of COVID-19, the Group maintains a cautiously optimistic view on the property market and will devote resources and efforts in increasing and replenishing its land bank for development.

The Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties for recurring income and capital appreciation, at the same time expanding its loan financing business for the growth of its stable recurring income.

These strategies are intended to enable the Group to maintain its competitiveness thereby ensuring the Group’s sustainability and securing the Shareholders’ benefits.

## FOR THE YEAR ENDED 31 MARCH 2019

**Business Review**

During the year, the Group was principally engaged in property development, property investment, securities investment and loan financing business. The review of each business segment of the Group is set out below.

**(i) Property Development**

One of the core businesses of the Group is property development. The Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Group during the year.

*1. Project Waterloo*

The Group, through its wholly subsidiary, owns the site at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (also known as the Remaining Portion of Section C of Kowloon Inland Lot No. 2145) which has a site area of approximately 9,800 sq. ft. (“**Waterloo Site**”).

The Waterloo Site will be developed into a luxurious residential accommodation with club house facilities and car parks and the estimated gross floor area is approximately 48,998 sq. ft. The development work is in progress and is expected to be completed in late 2021.

*2. La Salle Road Property*

The Company, through a wholly-owned subsidiary, held 75% of a residential development site at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong (the “**La Salle Road Property**”). In Q1 2018, a sale and purchase agreement was entered into with an independent third party for the disposal of the entire interest in such subsidiary. On 16 October 2018, the disposal was completed and such disposal brought to the Group gross proceeds of approximately HK\$680,685,000.

For further information, please refer to “Material Acquisitions and Disposals” section below.

*3. Chatham Road North*

During the year under review, the Group acquired the entire issued share capital of an investment holding company known as Success Active Limited, which held in excess of 80% interest in Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North**”). The total site area of Chatham Road North is approximately 4,685 sq. ft. The Group is currently the registered owner of more than 80% of Chatham Road North.

On 29 November 2018, the Company filed an application to the Lands Tribunal for an order to auction all the undivided shares of Chatham Road North (including those owned by the Group) for the purposes of redevelopment.

If the Group successfully acquires all the remaining units, the Chatham Road North site will be 100% owned by the Group and will be developed into a composite area with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 42,160 sq. ft..

For further information, please refer to “Material Acquisitions and Disposals” section below.

#### *4. Acquisition of Inverness Road Property*

On 8 March 2019, the Group completed the acquisition of Inverness Road Property. Inverness Road Property is a residential building in Kowloon Tong (also known as New Kowloon Inland Lot No. 6573). The property is being developed into two 8-storeys residential blocks over a basement car park with a total saleable area of approximately 40,943 sq. ft. It comprises 60 residential units, 29 car parking spaces and 3 motor parking spaces. The property is at its final stage of development and is expected to be completed before the end of 2019. The acquisition of Inverness Road Property is strategic for the Group’s residential development portfolio, an activity which the Group has extensive experience.

For further information, please refer to “Material Acquisitions and Disposals” section below.

#### *(ii) Property Investment*

Another core business of the Group is property investment.

The Group’s investment properties comprise residential, commercial and industrial units in Hong Kong. During the year, the total rental income of the Group recorded approximately HK\$54,892,000 (2018: approximately HK\$52,958,000), representing an approximately 3.7% increase over the last year.

As at 31 March 2019, the Group’s commercial and residential units of the investment properties were all leased out. The Group’s industrial units of the investment properties continued to maintain a high occupancy rate of 100%. The income from the property management fee during the year was approximately HK\$984,000 (2018: approximately HK\$897,000).

*Disposal of Easy Tower*

On 8 March 2019, the Group successfully disposed Easy Tower. Easy Tower, an industrial building wholly-owned by the Group, is located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong, with a total gross floor area of approximately 74,458 sq. ft..

It was one of the several investment properties of the Group which is a mature investment and being a comparatively old building with increasingly high maintenance costs. Thus, the Group decided to dispose Easy Tower.

For further information, please refer to “Material Acquisitions and Disposals” section below.

*(iii) Securities Investment*

The Group maintains a portfolio comprising blue-chip stocks and top-tier investments products which generate high yield in Hong Kong. The Group takes into account of the following criteria when determining whether to take up an investment opportunity: (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group’s risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2019, the Group recorded a loss in fair value of financial assets at fair value through profit or loss of approximately HK\$21,794,000 (2018: a gain of approximately HK\$21,859,000).

As a result, the Group reported a segment loss of approximately HK\$19,575,000 (2018: profit of approximately HK\$38,026,000) during the year under review. The Group received dividend income from the listed securities of approximately HK\$7,409,000 during the year under review. As at 31 March 2019, the Group’s securities investments amounted to HK\$105,666,000 (2018: approximately HK\$209,759,000). It was derived from (i) the conversion of equity-linked investments of approximately HK\$47,834,000 during the year under review; (ii) the net disposal of securities of approximately HK\$125,511,000; (iii) net decrease in market value of securities of approximately HK\$27,572,000; and (iv) the receipt of scrip dividend of HK\$1,156,000. This value represented an investment portfolio comprising 5 (2018: 5) equity securities which are listed on the Main Board of The Stock Exchange and Hong Kong Limited (the “**Stock Exchange**”).

The Group's significant securities investments as at 31 March 2019 were as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment	Investment cost/cost of acquisition of HK\$'000	Dividend income for the year ended 31 March 2019 HK\$'000	Fair value (loss)/gain for the year ended 31 March 2019 HK\$'000	Fair value at 31 March 2019 HK\$'000	Approximate percentage of total assets of the Group at 31 March 2019
		%					%
HSBC Holdings plc (5)	692,427	0.003	52,814	2,760	(7,112)	44,246	0.9
Best Food Holding Co. Ltd (1488)	17,728,000	1.123	22,702	212	670	21,628	0.4
Other listed shares*	-	-	47,179	4,437	(3,803)	39,792	0.8
Grand total:			122,695	7,409	(10,245)	105,666	2.1

\* Other listed shares included 3 companies whose shares are listed on the Main Board of the Stock Exchange.

#### (iv) *Loan Financing*

For the year ended 31 March 2019, the Group recorded an interest income from the loan financing business amounting to approximately HK\$18,591,000 (2018: approximately HK\$29,560,000), representing approximately 2.2% of the total revenue of the Group. Profit derived from loan financing business was approximately HK\$14,889,000 for the year ended 31 March 2019 (2018: approximately HK\$27,987,000). The carrying amount of loans receivable as at 31 March 2019 was approximately HK\$206,674,000 (2018: approximately HK\$259,261,000). At 31 March 2019, the Group recognised an impairment allowance under expected credit loss model amounting to approximately HK\$3,730,000 (including HK\$3,457,000 recognised on 1 April 2018, i.e. date of adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments" and HK\$273,000 recognised during the year) in its loan financing business. The Group would add margin financing services to its existing loan products to further expand the securities-backed financing business. The Group already holds an appropriate licence.

Below is one of the major transactions of the Group on loan financing business:

On 19 December 2018, Great Sail Global Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement with Fortunate Gravity Hongkong Limited (“**Borrower**”), an independent third party, pursuant to which, Great Sail Global Limited agreed to lend HK\$40,000,000 to the Borrower at an interest rate of 15.50% per annum for a period of 12 months. The loan is secured by share charges and personal guarantee.

The purpose of the loan shall be used exclusively for repayment of the outstanding principal amount of a loan advanced under a facility agreement entered between the parties in 2016.

Further information can be found in the announcement published by the Company on 20 December 2018. For the year ended 31 March 2019, the total interest income received from the Borrower was approximately HK\$6,030,000.

### Financial Review

	Year ended 31 March		Change HK\$'000
	2019 HK\$'000	2018 HK\$'000	
<b>Revenue</b>	830,347	331,521	498,826
<b>Gross profit</b>	353,892	174,169	179,723
Gross profit margin	42.6%	52.5%	(9.9%)
Distribution and selling expenses	53,044	30,118	22,926
Administrative expenses	60,226	55,396	4,830
Finance costs	23,043	16,935	6,108
<b>Profit before taxation</b>	354,985	319,809	35,176
Taxation charge	39,171	22,646	16,525
<b>Profit for the year</b>	315,814	297,163	18,651
<b>Profit for the year attributable to shareholders of the Company</b>	315,959	297,163	18,796
Net profit margin	38.0%	89.6%	(51.6%)
<b>Earnings per share</b>			
Basic and diluted	<u>HK\$3.52</u>	<u>HK\$3.74</u>	<u>(HK\$0.22)</u>

### Revenue

For the year ended 31 March 2019, the Group’s revenue leaped by approximately 150.5% to approximately HK\$830,347,000 as compared with last year of approximately HK\$331,521,000 which was mainly due to the gain from disposing a subsidiary which owned 75% interest of La Salle Road Property.

***Gross Profit/Margin***

Gross profit of the Group for the year ended 31 March 2019 was approximately HK\$353,892,000, representing an increase of approximately 103.2% or approximately HK\$179,723,000 as compared to approximately HK\$174,169,000 in 2018. Gross profit margin for the year reached approximately 42.6% (2018: approximately 52.5%), representing a decrease of approximately 9.9% over the last financial year.

***Profit before Taxation***

Profit before taxation of the Group for the year ended 31 March 2019 was approximately HK\$354,985,000, as compared with last year profit before taxation of HK\$319,809,000. The elevation was mainly due to the increase in profit generated from property sales, through disposing a subsidiary which owned 75% interest in La Salle Road Property.

Distribution and selling expenses of the Group increased from approximately HK\$30,118,000 to approximately HK\$53,044,000, an increase of approximately 76.1% as compared with the last year. It was mainly attributable to the sale of La Salle Road Property.

Administrative expenses of the Group were approximately HK\$60,226,000, a slight increase of approximately 8.7% over last year of approximately HK\$55,396,000.

During the year under review, there was a gain in change in fair value of investment properties amounting to approximately HK\$126,430,000 (2018: approximately HK\$159,475,000).

Finance costs of the Group was approximately HK\$23,043,000 which increased by approximately HK\$6,108,000 or approximately 36.1% for the year from approximately HK\$16,935,000 in 2018.

***Profit for the Year and Earnings per Share***

Profit for the year of the Company for the year ended 31 March 2019 was approximately HK\$315,814,000 (2018: profit of approximately HK\$297,163,000), representing an increase of approximately 6.3% as compared to last year. Net profit margin of this year is approximately 38.0% as compared to the net profit margin of approximately 89.6% of last year.

Taxation increased by approximately 73.0% to approximately HK\$39,171,000 from last year of approximately HK\$22,646,000.

Basic and diluted earnings per share for the year 31 March 2019 was HK\$3.52 as compared to basic and diluted earnings per share HK\$3.74 in last year.

***Liquidity and Financial Resources***

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2019, the Group's bank borrowings amounted to approximately HK\$1,285,984,000 (2018: approximately HK\$1,151,742,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.36 (2018: approximately 0.36).

As at 31 March 2019, the Group has net current assets of approximately HK\$1,690,736,000 (2018: approximately HK\$1,029,394,000). Current ratio was 2.8 (2018: 2.5). The bank balances and cash as at 31 March 2019 was approximately HK\$191,670,000 (2018: approximately HK\$150,370,000), representing an increase of approximately 27.5% or approximately HK\$41,300,000.

### *Capital Structure*

#### *Placing*

On 4 May 2018, Get Nice Securities Limited, as placing agent, and the Company entered into a placing agreement for placing up to 11,900,000 new ordinary shares of the Company at the placing price of HK\$4.60 per placing share. The placing price represented a discount of approximately 7.8% to the closing price as quoted on the Stock Exchange on the date of the placing agreement. The placing was completed on 17 May 2018. 11,900,000 new ordinary shares of the Company had been successfully placed to not less than six placees who and whose ultimate beneficial owners are independent professional, institution or individual investors. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, was approximately HK\$54.19 million.

As at the date of this report, all the net proceeds have been fully utilised in the acquisition of Success Active Limited, the registered owner of over 80% of interest in Chatham Road North.

For further details, please refer to the announcements of the Company dated 4 May 2018 and 17 May 2018.

As a result, the issued ordinary shares of the Company increased from 79,420,403 shares to 91,320,403 shares.

### *Charges of Assets*

As at 31 March 2019, bank loans amounting to approximately HK\$1,285,984,000 (2018: approximately HK\$1,151,742,000) were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policy, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$3,064,625,000 (2018: approximately HK\$2,674,668,000).

### *Exposure on Foreign Exchange Fluctuations*

Most of the Group's revenues and payments are in Hong Kong dollars. During the year, the Group did not have significant exposure to fluctuations 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.



*Material Acquisitions and Disposals**(1) Acquisition of Chatham Road North*

During the year under review, the Group acquired the entire issued share capital of an investment holding company, Success Active Limited, which held in excess of 80% interest in Chatham Road North. The total site area of Chatham Road North is approximately 4,685 sq. ft. The Group is currently the registered owner of more than 80% of Chatham Road North.

On 29 November 2018, the Company filed an application to the Lands Tribunal for an order to auction all the undivided shares of Chatham Road North (including those owned by the Group) for the purposes of redevelopment.

If the Group successfully acquires all the remaining units, the Chatham Road North site will be 100% owned by the Group and will be developed into a composite area with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 42,160 sq. ft..

Details of the acquisition are set out in the Company's announcements dated 16 May 2018, 8 June 2018 and 30 November 2018 and the Company's circular dated 25 June 2018.

*(2)(a) Acquisition of Inverness Road Property*

On 19 November 2018, the Group, through its wholly-owned subsidiary, Gold Anchor Developments Limited, entered into a conditional sale and purchase agreement with Kingbest Capital Holdings Limited, a wholly-owned subsidiary of Eminence Enterprise Limited ("**Eminence**"). Pursuant to which, Kingbest Capital Holdings Limited agreed to dispose to Gold Anchor Developments Limited the entire equity interest in Total Expect Limited, which the material asset is Inverness Road Property. The sale consideration was HK\$1,035,000,000. The transaction was approved by the shareholders of the Company on 28 February 2019 and was duly completed on 8 March 2019.

*Reason for Acquisition*

Inverness Road Property is a residential building in Kowloon Tong (also known as New Kowloon Inland Lot No. 6573). It is an attractive asset to the Group as the purchase price for the Inverness Road Property was also lower than the valuation, the Inverness Road Property fits well into the Group's portfolio of residential assets and will give the Group potential to realize its development profits.

*(2)(b) Disposal of Easy Tower*

On 19 November 2018, the Group through Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sonic Hover Limited, a subsidiary of Eminence, pursuant to which, Sonic Hover Limited agreed to acquire from Easyknit Properties Holdings Limited the entire equity interest in Wellmake Investments Limited, for which the material asset is Easy Tower. The sale consideration was HK\$470,000,000. The transaction was approved by the shareholders of the Company on 28 February 2019 and was duly completed on 8 March 2019.

#### Reason for Disposal

Easy Tower, an industrial building owned by the Group, is located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong, with a total gross floor area of approximately 74,458 sq. ft. It was one of the several investment properties of the Group. Easy Tower is a mature investment being a comparatively old building with increasingly high maintenance costs that reduce its net yield, and is ripe for redevelopment. Besides, the consideration offered by Eminence included the Inverness Road Property which the Company was keen to acquire without being forced to raise all the cash necessary to pay for it.

Furthermore, a property management agreement was entered into between a subsidiary of Eminence (after completion) and UrbanMode (HK) Limited, a subsidiary of the Company, for the management of Easy Tower for an initial period of three years from completion. The Group had been the property manager of Easy Tower and would continue to provide services including maintenance, repairing, renovation and security for Easy Tower after the completion. The property management agreement is a source of recurrent income to the Group.

For further information, please refer to the joint announcement and circular dated 21 November 2018 and 12 February 2019 respectively.

#### *(3) Disposal of La Salle Road Property*

The Company, through a wholly-owned subsidiary, held 75% interest of La Salle Road Property. In the 1Q 2018, a sale and purchase agreement was entered into with an independent third party for the disposal of the entire interest in such subsidiary. On 16 October 2018, the disposal was completed. Such disposal brought to the Group gross proceeds of approximately HK\$680,685,000.

Further information can be found in the circular dated 24 May 2018 issued by the Company.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

#### ***Contingent Liabilities***

The Group did not have any significant contingent liabilities as at 31 March 2019 (2018: nil).

#### ***Capital Expenditure***

For the year ended 31 March 2019, the Group invested approximately HK\$232,000 (2018: approximately HK\$6,037,000) on the acquisition of property, plant and equipment, and spent approximately HK\$4,743,000 (2018: approximately HK\$3,425,000) on additions of investment properties.

#### ***Capital Commitments***

As at 31 March 2019, the Group had no capital commitments in respect of capital expenditure contracted for but not provided (2018: approximately HK\$844,000).

**Proposed Spin-off**

On 12 May 2017, the Company submitted a spin-off and separate listing proposal of the Group's residential property business ("**Proposed Spin-off**") to the Stock Exchange and on 24 October 2017, the Stock Exchange agreed that the Company may proceed with the proposed spin-off.

However, on 29 March 2019, the Company received a letter from the Stock Exchange rejecting the Proposed Spin-off on the basis that the Company does not satisfy certain requirements of Practice Note 15 of the Listing Rules as introduced in February 2018. The Company has filed an application for review of this decision on 3 April 2019.

Further on 8 May 2019, the Company attended the review hearing with the Listing Committee and on 15 May 2019, the Company received a letter from the Listing Committee upholding the Listing Department's decision on rejecting the Proposed Spin-off. The Company has decided to further appeal against the Listing Department's decision.

For further details, please refer to Company's announcements dated 27 October 2017, 9 April 2019, 17 May 2019 and 24 May 2019.

**Employees**

As at 31 March 2019, the Group had 33 employees (2018: 32). Staff costs (including directors' emoluments) amounted to approximately HK\$63,647,000 for the year under review (2018: approximately HK\$24,164,000). 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. The Group has a share option scheme to motivate employees.

**Prospects**

Despite the downward pressure global economy fueled by the China and US trade dispute, repercussions of Brexit and the slowing down of GDP growth in both emerging market and advanced economies, Hong Kong's economy remains resilient.

The Board maintains a cautiously optimistic view on the property sectors and will replenish land banks by acquiring old residential buildings for redevelopment and tendering for new sites for sustainable growth of its property development business. A prudent approach will be adopted when acquiring and disposing properties and other investments to ensure steady recurring income and capital appreciation for the Group.

With the Group's financial resources, holistic corporate strategy and professional experience of the management team, the Board is confident of the continued growth for the Group.

**FOR THE YEAR ENDED 31 MARCH 2018****Business Review**

For the year ended 31 March 2018, the Group's revenue amounted to HK\$331,521,000 (2017: HK\$529,475,000), representing a decrease of HK\$197,954,000 or approximately 37.4% as compared to last year. There was a profit for the year attributable to the Company's owners of HK\$297,163,000, as compared to a loss of HK\$243,846,000 last year. The profit during the year was mainly due to the gain on changes in fair value of investment properties amounting to HK\$159,475,000 and the results attributable to interests in associates amounting to HK\$40,993,000.

The basic and diluted earnings per share amounted to HK\$3.74 for the year ended 31 March 2018, as compared with loss per share of HK\$3.07 for the corresponding period last year. The review of each business segment of the Group is set out below.

***Property Investment***

The Group's investment properties comprise residential, commercial and industrial units in Hong Kong. During the year, the total rental income of the Group recorded HK\$52,958,000 (2017: HK\$51,664,000), representing a 2.5% slight increase over the last year.

As at 31 March 2018, the Group's commercial and residential units of the investment properties were all leased out. The Group's industrial units of the investment properties continued to maintain a high occupancy rate of 89.7%. The income from the property management fee was HK\$897,000 (2017: HK\$834,000).

***Property Development***

During the year, the Group continues to promote the sale of the remaining residential units of its existing development projects in Hong Kong. The development of the residential project at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong is in progress for development and on 16 March 2018, the Group entered into a sale and purchase agreement to dispose of the ownership of this residential project, details of which please refer to "Disposal of Property" as below. For the year ended 31 March 2018, the revenue recorded from the property development was HK\$248,106,000, representing a decrease of approximately 45.7% as compared to HK\$456,601,000 in the last year.

***Investment in Securities***

The Group maintains a portfolio comprising bluechip stocks and top-tier investments products which generate high yield in Hong Kong. The Group takes into account of the following criteria when determining whether to take up an investment opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2018, the Group recorded (i) gain on fair value change of held-for-trading investments of HK\$21,859,000 (2017: loss of HK\$8,773,000); (ii) loss on fair value changes of financial assets designated as at fair value through profit or loss of HK\$3,403,000 (2017: HK\$2,328,000); (iii) loss on changes in fair value of derivatives component of convertible notes of HK\$2,992,000 (2017: HK\$11,003,000); and (iv) loss on disposal of available-for-sale investments of HK\$1,033,000 (2017: gain of HK\$43,989,000). The impairment loss on available-for-sale investments was HK\$4,213,000 (2017: HK\$25,376,000) and greatly reduced as compared with last year.

As a result, the Group reported a segment profit of HK\$38,026,000 (2017: HK\$50,921,000) during the year under review. The Group received dividend income from the listed securities under held for trading investment and available-for-sale investments of HK\$5,631,000 and HK\$1,896,000 respectively during the year under review. As at 31 March 2018, the Group's held-for-trading investments amounted to HK\$100,094,000 (2017: HK\$287,493,000). It was derived from (i) the purchase of trading securities of HK\$94,185,000 during the year under review; (ii) the disposal of held-for-trading securities which had a cost or fair value as at 31 March 2018 of HK\$278,031,000; and (iii) net decrease in market value in the amount of HK\$3,553,000 of the held-for-trading investment. This value represented an investment portfolio comprising 5 (2017: 4) equity securities which are listed on the Main Board of the Stock Exchange.

#### *Held-for-trading investments*

The Group's significant investments under held-for trading as at 31 March 2018 were as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend	Fair value	Fair value at 31 March 2018 HK\$'000	Approximate
				income for the year ended 31 March 2018 HK\$'000	gain/(loss) for the year ended 31 March 2018 HK\$'000		percentage of total assets of the Group at 31 March 2018 %
HSBC Holdings plc (5)	631,700	0.003	48,249	93	(1,503)	46,746	1.06
Hong Kong Exchanges and Clearing Limited ("HKEx") (388) (Note a)	130,967	0.011	24,658	5,538	7,740	33,396	0.75
Industrial and Commercial Bank of China Limited (1398)	2,000,000	0.002	14,034	–	(574)	13,460	0.30
Other listed shares (Note b)	–	–	37,101	–	(9,216)	6,492	0.15
Grand total:			124,042	5,631	(3,553)	100,094	2.26

*Available-for-sale investments*

The Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Group at 31 March 2018 %
HKEEx (388) (Note a)	260,574	0.021	49,509	656	16,937	66,446	1.50
Other listed shares (Note c)	–	–	40,992	1,240	3,430	43,219	0.97
Grand total:			<u>90,501</u>	<u>1,896</u>	<u>20,367</u>	<u>109,665</u>	<u>2.47</u>

*Notes:*

- The Company's shareholders passed a resolution at the special general meeting on 28 February 2018 to grant a mandate to the Directors for the disposal of all or partial of the shares in HKEEx for a 12-month period commencing 28 February 2018 ("**HKEEx Disposal Mandate**"). During the period from 28 February 2018 and up to the date of this report, the Company did not dispose of any shares in HKEEx pursuant to the HKEEx Disposal Mandate and therefore, the Group beneficially owns a total of 391,541 shares (including 130,967 shares classified as held-for-trading and 260,574 shares classified as available-for-sale) in HKEEx as at the date of this report. Details of which are set out in the Company's circular dated 29 January 2018.
- Other listed shares under held-for-trading investments included 2 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.2% of the total assets of the Group as at 31 March 2018.
- Other listed shares under available-for-sale investments included 4 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.6% of the total assets of the Group as at 31 March 2018.

*Loan Financing*

For the year ended 31 March 2018, the Group recorded an interest income from the loan financing business amounting to HK\$29,560,000 (2017: HK\$20,376,000), representing approximately 8.9% of the total revenue of the Group. The profit derived from loan financing business was HK\$27,987,000 for the year ended 31 March 2018 (2017: HK\$19,167,000). The principal amount of loans receivable as at 31 March 2018 was HK\$259,261,000 (2017: HK\$308,854,000). During the year under review, the Group did not record any doubtful or bad debt in its loan financing business. The Group would add margin financing services to its existing loan products to further expand the securities-backed financing business. The Group already holds an appropriate licence.

**Financial Review**

	<b>Year ended 31 March</b>		<b>Change</b>
	<b>2018</b>	<b>2017</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	331,521	529,475	(197,954)
<b>Gross profit</b>	174,169	233,184	(59,015)
Gross profit margin	52.5%	44.0%	8.5%
Distribution and selling expenses	30,118	64,829	(34,711)
Administrative expenses	55,396	52,485	2,911
Finance costs	16,935	17,203	(268)
<b>Profit (loss) before taxation</b>	319,809	(219,885)	539,694
Taxation charge	22,646	23,961	(1,315)
<b>Profit (loss) for the year attributable to owners of the Company</b>	297,163	(243,846)	541,009
Net profit (loss) margin	89.6%	(46.1%)	135.7%
<b>Earnings (loss) per share</b>			
Basic and diluted	HK\$3.74	(HK\$3.07)	HK\$6.81

**Revenue**

For the year ended 31 March 2018, the Group's revenue decreased by 37.4% to HK\$331,521,000 as compared with last year which was mainly due to the decrease in revenue from the property development.

**Gross Profit/Margin**

Gross profit of the Group for the year ended 31 March 2018 was HK\$174,169,000, representing a decrease of approximately 25.3% or HK\$59,015,000 as compared to HK\$233,184,000 in 2017. Gross profit margin for the year reached approximately 52.5% (2017: 44.0%), representing an elevation of 8.5 percentage points over the last financial year, as a result of the increase of interest income from the loan financing business, which contributed a higher gross profit margin.

**Profit/Loss before Taxation**

Profit before taxation of the Group for the year ended 31 March 2018 was HK\$319,809,000, as compared with last year loss before taxation of HK\$219,885,000. It was mainly due to the gain on changes in fair value of investment properties of HK\$159,475,000 and results attributable to interests in associates of HK\$40,993,000.

Distribution and selling expenses of the Group declined from HK\$64,829,000 to HK\$30,118,000, a decrease of 53.5% as compared with the last year. It was mainly attributable to the decrease of sale of Paxton.

Administrative expenses of the Group were HK\$55,396,000, a slight increase of 5.5% over last year of HK\$52,485,000.

During the year under review, there was an increase of 629.0% in the gain on changes in fair value of investment properties amounting to HK\$159,475,000 (2017: HK\$21,877,000).

Finance costs of the Group was HK\$16,935,000 which decreased by HK\$268,000 or 1.6% for the year from HK\$17,203,000 in 2017.

#### ***Profit/Loss Attributable to Owners of the Company and Earnings/(Loss) per Share***

Profit for the year of the Company for the year ended 31 March 2018 was HK\$297,163,000 (2017: loss of HK\$243,846,000). Net profit margin of this year is 89.6% as compared to the net loss margin of 46.1% of last year.

Taxation charge decreased by 5.5% to HK\$22,646,000 from last year of HK\$23,961,000.

Basic and diluted earnings per share for the year 31 March 2018 was HK\$3.74 as compared to basic and diluted loss per share HK\$3.07 in last year.

#### ***Liquidity and Financial Resources***

The Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2018, the Group's bank borrowings amounted to HK\$1,151,742,000 (2017: HK\$899,482,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, for the year was 0.36 (2017: 0.32).

As at 31 March 2018, the Group has net current assets of HK\$1,029,394,000 (2017: HK\$1,058,122,000). Current ratio was 2.5 (2017: 3.8). The bank balances and cash as at 31 March 2018 was HK\$150,370,000 (2017: HK\$25,473,000).

#### ***Capital Structure***

During the year, there was no change to the share capital of the Company. As at 31 March 2018, the total number of issued ordinary shares of the Company was 79,420,403 shares.

#### ***Charges of Assets***

As at 31 March 2018, bank loans amounting to HK\$1,151,742,000 (2017: HK\$899,482,000) were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Group having a net book value of HK\$2,674,668,000 (2017: HK\$2,160,596,000).



*Exposure on Foreign Exchange Fluctuations*

Most of the Group's revenues and payments are in Hong Kong dollars. During the year, the Group did not have significant exposure to fluctuations 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.

**Material Acquisitions and Disposals***Acquisitions of Waterloo Building*

On 13 April 2017, Good Year Ventures Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Global Chance Holdings Limited ("**Global Chance**") and the 11 units of the building situated at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the "**Waterloo Building**") for a total consideration of HK\$332,869,023.25. The completion of the acquisition of the 11 units took place on 28 June 2017.

On 5 July 2017, Global Chance, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire the remaining unit of the Waterloo Building for a total consideration of HK\$41,800,000. The transaction was approved by the shareholders of the Company on 4 September 2017 and the completion of the acquisition of the remaining unit took place on 6 October 2017. The Group aimed to acquire the entire building and redevelop the Waterloo Building site.

Details of the above acquisitions are set out in the Company's announcements dated 13 April 2017 and 5 July 2017 and the Company's circular dated 11 August 2017.

*Disposal of Property*

On 16 March 2018, a wholly-owned subsidiary of the Company ("**Vendor 1**"), as vendor, the Company entered into a sale and purchase agreement with an independent third party (the "**Purchaser**"), as purchaser, and vendor 2 ("**Vendor 2**", collectively with Vendor 1, the "**Vendors**"), pursuant to which the Vendors conditionally agreed to sell the entire issued share capital of each of the disposal companies and Vendor 2 and the Company conditionally agreed to sell the shareholders' loan due and owing by the disposal companies to the Company and Vendor 2 at the completion at the initial consideration for the disposals HK\$920 million (subject to adjustments under the sale and purchase agreement). The disposal companies holds as to 75% and 25% interests respectively in a property located at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong. As at the date of this report, the transaction has not completed. Details of the above disposal are set out in the Company's announcement dated 16 March 2018 and the Company's circular dated 24 May 2018.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

*Contingent Liabilities*

The Group did not have any significant contingent liabilities as at 31 March 2018 (2017: nil).

### *Capital Expenditure*

For the year ended 31 March 2018, the Group invested HK\$6,037,000 (2017: HK\$7,636,000) on the acquisition of property, plant and equipment, and spent HK\$3,425,000 (2017: HK\$30,000) on additions of investment properties.

### *Capital Commitments*

As at 31 March 2018, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$844,000 (2017: HK\$621,000).

### **Proposed Spin-off**

Reference is made to the Company's announcement dated 27 October 2017 under which the Company is currently considering the spin-off and separate listing (the "**Proposed Spin-off**") of the Group's residential property business (the "**RP Business**") on the Main Board of the Stock Exchange. A spin-off proposal was submitted to the Stock Exchange on 12 May 2017 pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and on 24 October 2017, the Stock Exchange agreed that the Company may proceed with the Proposed Spin-off.

Preparation for the Proposed Spin-off is underway for the separate listing of the RP Business on the Main Board of the Stock Exchange.

### **Events After Reporting Period**

#### *Placing*

On 4 May 2018, the Company and a placing agent entered into a placing agreement under general mandate pursuant to which the placing agent agreed to place, on a best effort basis, up to 11,900,000 placing shares at a price of HK\$4.6 per placing share to not less than six independent placees. The closing price of the Shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). The net proceeds from the placing would be used for acquisitions or for general working capital of the Group. As at the date of this report, HK\$41.1 million of the net proceeds was utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million remain in the bank. Details of which are set out in the Company's announcements dated 4 May 2018 and 17 May 2018.

#### *Acquisition of Properties*

On 16 May 2018, a wholly-owned subsidiary of the Company (the "**Buyer**"), as buyer, entered into a sale and purchase agreement with an independent third party (the "**Seller**"), as seller, to acquire the entire issued share capital of a company (the "**Target**") (the sole assets of which are the properties purchase agreements, being contracts to purchase units in the buildings at 470, 472, 474, 476 and 478 Chatham Road North, Kowloon) and a related shareholder loan. The total consideration for the Group to acquire the Target is HK\$458,475,515, subject to adjustment. As at the date of this report, the transaction was not yet completed. Details of which are set out in the Company's announcement dated 16 May 2018.

***Joint Venture Development***

On the 24th of May 2018, the Group entered into a joint venture with an independent third party whereby a Developer (80% owned by the Group and 20% owned by the independent party) was appointed to carry out the development of 93, 93A, 95 and 95A Waterloo Road, Kowloon.

**Employees**

As at 31 March 2018, the Group had 32 employees (2017: 35). Staff costs (including directors' emoluments) amounted to HK\$24,164,000 for the year under review (2017: HK\$32,628,000). 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. The Group has a share option scheme to motivate employees.

**Prospects**

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. We expect the local property market, discounting the probability of further US rate hikes, would maintain its current level. The management believes that the Group's business will continue to develop steadily in the forthcoming year.

During the year, the Group successfully obtained the Stock Exchange's agreement for the Proposed Spin-off of the Group's Residential Portfolio and work on proposed spin-off is in progress.

With regards to the Group's property investment business, the Group intends to continue the investment in properties located in Hong Kong and improve the mix of the portfolio for the property investment to enhance returns on investment. This may include carrying out renovation and refurbishment of the Group's investment properties to enhance yields.

With regards to the Group's securities business, the Group intends to continuously diversify its investment portfolio to manage risks and return.

The Group intends to expand its loan financing business by broadening the customer base and loan types to cater to different needs and repayment preferences of various segments of potential customers.

## 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) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”) were as follows:

#### *Interests in the Company (long position)*

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued Shares
Lui Yuk Chu	Interest of controlled corporation ( <i>Note 1</i> )	17,429,664	19.09%
Koon Ho Yan Candy	Beneficiary of a trust ( <i>Note 2</i> )	29,179,480	31.95%

#### *Notes:*

- 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu, an executive Director.
- 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 as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive Director, but excluding Ms. Lui Yuk Chu and her spouse). As a result, Ms. Koon Ho Yan Candy 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 chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have 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 they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of Substantial Shareholders**

As at the Latest Practicable Date, the persons (other than the Directors or the chief executive of the Company) who had informed the Company of an interest or a short position in the Shares and 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Notes	Capacity	Number of Shares held (long position)	Approximate percentage of the total issued Shares
Koon Wing Yee	<i>i &amp; iii</i>	Interest of spouse	17,429,664	19.09%
Sea Rejoice Limited	<i>i</i>	Beneficial owner	17,429,664	19.09%
Magical Profits Limited	<i>ii</i>	Beneficial owner	29,179,480	31.95%
Accumulate More Profits Limited	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
The Winterbotham Trust Company Limited	<i>ii</i>	Trustee	29,179,480	31.95%
Winterbotham Holdings Limited	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
Christopher Geoffrey Douglas Hooper	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%

*Notes:*

- i. 17,429,664 Shares are held by Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, an executive Director.
- ii. 29,179,480 Shares are held 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 as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy, an executive Director). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings Limited. Winterbotham Holdings Limited is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper.
- iii. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 17,429,664 Shares by virtue of the SFO.

Ms. Lui Yuk Chu, a Director, is also a director of Magical Profits Limited and Sea Rejoice Limited. Apart from Ms. Lui Yuk Chu, as at the Latest Practicable Date no Director was also a director or an employee of the substantial shareholders of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

### 3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were 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 pending or threatened by or against the Group.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member 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

Name of director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Eminence Enterprise Limited (“ <b>Eminence</b> ”)	Property investment, property development, securities investment and loan financing	Director of Eminence

Save as disclosed in this circular, 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, save as disclosed in this circular, none of the Directors were interested in any contract of arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2020, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

## 7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two (2) years immediately preceding and including the Latest Practicable Date:

- (a) a junior notes subscription agreement dated 31 October 2018 entered into between Charming Flash Limited (“**Charming Flash**”), a wholly-owned subsidiary of the Company, and Golden Glow Limited (“**Golden Glow**”), as issuer, in relation to the subscription of junior notes (the “**Junior Notes**”) issued by the issuer in the amount of US\$4,500,000;
- (b) a conditional sale and purchase agreement dated 19 November 2018 entered into between Kingbest Capital Holdings Limited (a wholly-owned subsidiary of Eminence Enterprise Limited (stock code: 616) (“**Eminence**”)), as seller, and Gold Anchor Developments Limited (a wholly-owned subsidiary of the Company) in relation to the sale and purchase of a subsidiary of Eminence that owns the property known as Nos. 14–20 Inverness Road, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6573 at a consideration of HK\$1,035,000,000;
- (c) a conditional sale and purchase agreement dated 19 November 2018 entered into between Easyknit Properties Holdings Limited (a wholly-owned subsidiary of the Company) as seller, and Sonic Hover Limited (a wholly-owned subsidiary of Eminence), as buyer, in relation to the sale and purchase of an indirectly wholly-owned subsidiary of the Company that owns the property known as Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6238 at a consideration of HK\$470,000,000;
- (d) a loan agreement dated 19 December 2018 entered into between Great Sail Global Limited (“**Great Sail**”) (a wholly-owned subsidiary of the Company), as lender, and Fortunate Gravity Hongkong Limited (“**Fortunate Gravity**”), as borrower, in relation to the granting of a loan in the principal amount of HK\$40,000,000 (the “**Loan**”) from the lender to the borrower for the period of twelve (12) months from the drawdown date which was secured by share charges and a personal guarantee and was amended by an amendment agreement dated 5 February 2020 in relation to, inter alia, the amendment of the loan agreement and extension of the maturity date of the Loan;
- (e) share charges dated 19 December 2018 entered into between Great Sail and each of Fortunate Gravity, Queen’s Central Hongkong Holdings Limited (“**Queen’s Central**”) and Theone Holdings Limited (“**Theone**”) respectively as a security for the Loan;
- (f) a property management agreement dated 8 March 2019 entered into between UrbanMode (HK) Limited, a wholly-owned subsidiary of the Company, as manager, and Wellmake Investments Limited, as registered owner, for the management of Easy Tower by UrbanMode (HK) Limited;
- (g) 3 executed term sheets dated 5 December 2018, 23 January 2019 and 15 May 2019 respectively for the purchase of equity linked notes of China Construction Bank Corporation (stock code: 939) (“**CCB**”) for an aggregate principal amount of HK\$30,000,000;



- (h) a subscription agreement dated 17 June 2019 entered into between Goodco Development Limited (“**Goodco**”), as subscriber, and Eminence, as issuer, in relation to a 3% per annum coupon rate convertible bond in the principal amount of HK\$70,000,000 issued by Eminence at the initial conversion price of HK\$0.055 per conversion share;
- (i) a co-lending agreement dated 18 June 2019 entered into between Planetic International Limited (“**Planetic**”), an indirectly wholly-owned subsidiary of the Company, STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which Planetic, STI and China Yinsheng agreed to make available to the borrower a loan of HK\$64,000,000, of which the total capital commitment for Planetic is HK\$45,000,000;
- (j) an executed term sheet dated 8 July 2019 for the purchase of an equity linked note of China Construction Bank Corporation (stock code: 939) for a consideration of HK\$14,000,000;
- (k) conditional irrevocable undertakings dated 4 November 2019 provided by Landmark Profits Limited and Goodco respectively, both of which are wholly-owned subsidiaries of the Company, to Eminence and Get Nice Securities Limited, as underwriter, in relation to, inter alia, the subscription in full of the provisional allotment of a total 147,866,132 shares of Eminence under a rights issue;
- (l) an amendment agreement dated 5 February 2020 entered into between Great Sail, Fortunate Gravity, Queen’s Central, Theone and Wang Jie in relation to, inter alia, the amendment of the Loan Agreement and extension of the maturity date of the Loan;
- (m) confirmatory share charges dated 5 February 2020 entered into between Great Sail and each of Fortunate Gravity, Queen’s Central and Theone respectively which confirms that the Loan will continue to be secured by the share charges dated 19 December 2018;
- (n) a confirmatory guarantee dated 5 February 2020 entered into between Great Sail and Wang Jie which confirms that the Loan will continue to be secured by the deed of guarantee dated 19 December 2018;
- (o) a tripartite agreement dated 20 February 2020 entered into between Charming Flash, as transferor, Green Heyday Limited, as transferee, and Golden Glow, as issuer, in relation to the sale and purchase of the Junior Notes for a total of transfer consideration of US\$4,700,000;
- (p) an executed term sheet dated 21 May 2020 for the purchase of an equity linked note of CCB for HK\$50,000,000;
- (q) an executed term sheet dated 24 June 2020 for the purchase of an equity linked note of Industrial and Commercial Bank of China Limited (stock code: 1398) for HK\$30,000,000;
- (r) an executed term sheet dated 15 July 2020 for the purchase of an equity linked note of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) for HK\$15,000,000;
- (s) 2 executed term sheets dated 16 July 2020 and 28 July 2020 respectively for the purchase of equity linked notes of CCB for an aggregate principal amount of HK\$30,000,000;



- (t) an executed term sheet dated 30 July 2020 for the purchase of an equity linked note of The Bank of China Limited (stock code: 3988) for HK\$20,000,000; and
- (u) 3 deeds of amendment each dated 18 September 2020 entered into between Eminence as the issuer and Goodco (an indirect wholly-owned subsidiary of the Company) as the noteholder in relation to the proposed alteration of certain terms of the three (3) convertible notes issued by Eminence to Goodco on 11 May 2017, 26 September 2017 and 28 August 2019 respectively.

## 8. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Mazars CPA Limited	Certified Public Accountants
Vigers Appraisal and Consulting Limited	Independent Professional Valuer

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 2020 (being the date to which the latest published audited consolidated 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 respective written consents to the issue of this circular with the inclusion of their letters and the references to their names in the forms 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.
- (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

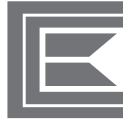
Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for the period of 14 days commencing 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(3) years ended 31 March 2018, 2019 and 2020;
- (c) the written consents referred to in the paragraph headed "Experts and Consents" of this appendix;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix;
- (e) the letter from Mazars CPA Limited, the reporting accountant, in respect of the accountant's report on unaudited pro forma financial information, the text of which is set out in Appendix II to this circular;
- (f) the valuation report prepared by Vigers as set out in Appendix III to this circular;
- (g) the circular(s) issued by the Company since 31 March 2020 pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules; and
- (h) this circular.

---

# NOTICE OF THE SGM

---



## EASYKNIT INTERNATIONAL HOLDINGS LIMITED

## 永義國際集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of Easyknit International Holdings Limited (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 at 9:00 a.m. on Wednesday, 11 November 2020 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed, with or without amendment, as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the directors of the Company (the “**Directors**”) be and are hereby authorized to effect the disposal (the “**Disposal**”) of the properties at Nos. 472–478 Chatham Road North, Kowloon, Hong Kong (the “**Chatham Road North Building**”) held by the Company and/or its subsidiaries at any public auction of the entire Chatham Road North Building to be held by order of the Lands Tribunal, at or above the reserve price, and the Directors be and are hereby authorized to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Disposal as they may in their absolute discretion consider necessary or desirable with full power to authorize any other person to do so in the name of and as the act of the Company or its subsidiary, during the period of twelve (12) months from the date of passing this resolution.”

By Order of the Board  
**Easyknit International Holdings Limited**  
**Koon Ho Yan Candy**  
*President and Chief Executive Officer*

Hong Kong, 23 October 2020

---

## NOTICE OF THE SGM

---

*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 is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares of the Company (the “**Shares**”) may appoint more than one proxy to attend on the same occasion. 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 and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding of the 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 and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint registered holders of any Share, any one of such persons may vote, either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company (the “**Register of Members**”) in respect of such share shall alone be entitled to vote in respect thereof.
7. For the purpose of determining eligibility to attend and vote at the meeting, the Register of Members will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, (both dates inclusive), during which period, no transfers of Shares will be registered. In order for the holders to qualify to attend and vote at the meeting, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Thursday, 5 November 2020.

*As at the date of this notice, the Board comprises Ms. Koon Ho Yan Candy, Ms. Lui Yuk Chu and Mr. Tse Wing Chiu Ricky as executive Directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Lau Chak Hang Charles as independent non-executive Directors.*

*In case of any inconsistency, the English version of this notice shall prevail over the Chinese version.*