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

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution 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 and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Easyknit International Holdings Limited.

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO  
PRE-CONDITIONAL VOLUNTARY CONDITIONAL CASH OFFER BY  
ALTUS INVESTMENTS LIMITED FOR AND ON BEHALF OF  
THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED,  
FOR ALL ISSUED SHARES OF  
EMINENCE ENTERPRISE LIMITED OTHER THAN THOSE ALREADY  
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT;  
AND  
NOTICE OF THE EASYKNIT SGM**

**Financial Adviser to Easyknit International Holdings Limited**

**ALTUS CAPITAL LIMITED**

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular.

A notice convening the Easyknit 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 Friday, 19 March 2021 at 9:00 a.m. is set out on pages N-1 to N-3 of this circular. A form of proxy for use at the Easyknit SGM is enclosed. Whether or not you are able to attend the Easyknit SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Easyknit'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 Easyknit SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Easyknit 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, 4 March 2021

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## DEFINITIONS

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

“acting in concert”	the meaning ascribed thereto under the Takeovers Code
“Altus Investments”	Altus Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, making the Share Offer on behalf of the Offeror
“associates”	the meaning ascribed thereto under the Takeovers Code
“Board”	Board of Easyknit Directors
“BVI”	the British Virgin Islands
“Closing Date”	the 14 <sup>th</sup> day after the date on which the Share Offer is declared unconditional in all respects (or such other day as announced by the Offeror with the consent of the Executive)
“Composite Document”	the composite offer and response document expected to be jointly issued by Easyknit and EE in connection with the Share Offer in accordance with the Takeovers Code
“Conditions”	the conditions to the Share Offer described in the paragraph headed “Conditions of the Share Offer” in this circular
“Conditions Long Stop Date”	means the date which is 60 calendar days after the posting of the Composite Document, unless the date has been extended by the Offeror with the consent of Easyknit and the Executive
“connected persons”	the meaning ascribed thereto under the Listing Rules
“Easyknit”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (stock code: 1218)
“Easyknit Directors”	the directors of Easyknit
“Easyknit Group”	Easyknit and its subsidiaries
“Easyknit SGM”	the special general meeting of Easyknit to be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the making of the Share Offer, notice of which is set out on pages N-1 to N-3 of this circular

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## DEFINITIONS

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“Easyknit Shares”	ordinary shares of HK\$0.1 each in the share capital of Easyknit
“Easyknit Shareholders”	holders of Easyknit Shares
“EE”	Eminence Enterprise Limited (高山企業有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (stock code: 616)
“EE Board”	the board of directors of Eminence
“EE Directors”	the directors of EE
“EE Group”	EE and its subsidiaries
“EE Shares”	ordinary shares of HK\$0.2 each in the share capital of EE
“EE Shareholders”	holders of EE Shares
“Enlarged Group”	together, the Easyknit Group and the EE Group, after the Conditions are satisfied and upon closing of the Share Offer
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Goodco”	Goodco Development Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of Easyknit
“Goodco Convertible Notes”	the 4% coupon convertible notes issued by EE with an outstanding aggregate principal amount of HK\$97,280,000 at the conversion price of HK\$0.25 (subject to adjustment) all due on 28 August 2024 held by Goodco
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the joint announcement dated 11 February 2021, published by Easyknit and EE relating to, among other things, the Share Offer
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of Easyknit

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## DEFINITIONS

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“Last Trading Date”	3 February 2021, being the last trading day of the Easyknit Shares and the EE Shares on the Stock Exchange prior to the issue of the Joint Announcement
“Latest Practicable Date”	2 March 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Offer Unconditional Date”	the date on which the Share Offer becomes or is declared unconditional in all respects
“Offeror”	Ace Winner Investment Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Easyknit.
“Pre-Condition”	the pre-condition of the Share Offer described in the paragraph headed “The Pre-Condition” in this circular
“Pre-Condition Long Stop Date”	15 April 2021, being the long stop date for the satisfaction of the Pre-Condition in respect of the Share Offer or such other date as the Offeror may determine with the consent of the Executive
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the pre-conditional voluntary cash general offer that will be made, if the Pre-Condition is satisfied, by Altus Investments for and on behalf of the Offeror to acquire all of the issued EE Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the terms and conditions set out in the Composite Document and in compliance with the Takeovers Code
“Share Offer Price”	HK\$0.50 per EE Share, being the offer price per EE Share under the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### EASYKNIT INTERNATIONAL HOLDINGS LIMITED

### 永義國際集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

*Executive Directors:*

Ms. Koon Ho Yan Candy

*(President and Chief Executive Officer)*

Ms. Lui Yuk Chu *(Vice President)*

Mr. Tse Wing Chu 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

4 March 2021

*To the Easyknit Shareholders*

Dear Sir or Madam,

**POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO  
PRE-CONDITIONAL VOLUNTARY CONDITIONAL CASH OFFER BY  
ALTUS INVESTMENTS LIMITED FOR AND ON BEHALF OF  
THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED,  
FOR ALL ISSUED SHARES OF  
EMINENCE ENTERPRISE LIMITED OTHER THAN THOSE ALREADY  
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT**

#### **INTRODUCTION**

Reference is made to the Joint Announcement whereby Easyknit and EE jointly announced that the Offeror intends to make, through Altus Investments, and subject to the satisfaction of the Pre-Condition, a voluntary conditional cash offer to acquire all the issued EE Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, amongst other things, further details of the Share Offer, which will if it is made and becomes unconditional constitute a possible very substantial acquisition for Easyknit under Chapter 14 of the Listing Rules, and notice of the Easyknit SGM to approve the Share Offer.

### THE SHARE OFFER AND THE VERY SUBSTANTIAL ACQUISITION

On 3 February 2021 (after trading hours), the Offeror had informed the EE Board that it intended to make, through Altus Investments, and subject to the satisfaction of the Pre-Condition, a voluntary conditional cash offer to acquire all the issued EE Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price.

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Offer exceeds 100%, the implementation of the Share Offer will constitute a very substantial acquisition for Easyknit under Chapter 14 of the Listing Rules.

### PRINCIPAL TERMS OF THE SHARE OFFER

The Share Offer, if and when made, will be made on terms to be set out in the offer document (which is expected to be part of a Composite Document) to be issued in accordance with the Takeovers Code.

Altus Investments will, for and on behalf of the Offeror and subject to the satisfaction of the Pre-Condition and in compliance with the Takeovers Code, make a voluntary conditional cash offer to acquire all the EE Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the price:

For each EE Share . . . . . Share Offer Price, being HK\$0.50 in cash

The Share Offer Price of HK\$0.50 per EE Share represents:

- (i) a premium of approximately 4.2% over the closing price of HK\$0.480 per EE Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 23.5% over the closing price of HK\$0.405 per EE Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 22.2% over the average of the closing prices per EE Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.409;
- (iv) a premium of approximately 21.1% over the average of the closing prices per EE Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.413;
- (v) a premium of approximately 24.0% over the average of the closing prices per EE Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.403;



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## LETTER FROM THE BOARD

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- (vi) a discount of approximately 84.2% to the audited consolidated net asset value per EE Share attributable to the EE Shareholders as at 31 March 2020 of approximately HK\$3.158 per EE Share calculated based on the audited consolidated net assets of the EE Group attributable to the EE Shareholders of approximately HK\$2,941.9 million as at 31 March 2020 as extracted from the annual report of EE for the year ended 31 March 2020 and 931,458,010 EE Shares then in issue; and
- (vii) a discount of approximately 84.0% to the unaudited consolidated net asset value per EE Share attributable to the EE Shareholders as at 30 September 2020 of approximately HK\$3.118 per EE Share calculated based on the unaudited consolidated net assets of the EE Group attributable to the EE Shareholders of approximately HK\$2,904.0 million as at 30 September 2020 as extracted from the interim report of EE for the six months ended 30 September 2020 and 931,458,010 EE Shares then in issue.

In the event that any dividends or distributions are declared, paid or made by EE on or after the date of despatch of the Composite Document before the close of the Share Offer, the amount of such dividends or other distributions will be deducted from the Share Offer Price.

### THE PRE-CONDITION

The making of the Share Offer is subject to the requisite approval being obtained by Easyknit from the Easyknit Shareholders in relation to the Share Offer as required under the Listing Rules. The Pre-Condition cannot be waived.

If the Pre-Condition is not satisfied by the Pre-Condition Long Stop Date, the Share Offer will not be made.

**WARNING: The Pre-Condition must be satisfied before the making of the Share Offer. The making of the Share Offer is therefore a possibility only. Accordingly, Easyknit Shareholders and prospective investors are advised to exercise caution when dealing in the securities of Easyknit. Persons who are in doubt as to the action they should take should consult their professional advisers.**

### CONDITIONS OF THE SHARE OFFER

As at the Latest Practicable Date, Easyknit and parties acting in concert with it held 275,687,665 EE Shares, representing approximately 29.60% of the EE Shares in issue. In addition, Goodco (a party acting in concert with the Offeror) holds the Goodco Convertible Notes with an outstanding aggregate principal amount of HK\$97,280,000 at a conversion price that is currently HK\$0.25 (subject to adjustment).

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## LETTER FROM THE BOARD

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The Share Offer, if and when made, will be subject to the fulfilment or waiver of the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive) in respect of the EE Shares which, together with the EE Shares owned or acquired or agreed to be acquired before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of EE, i.e. more than 465,729,005 EE Shares (based on the number of EE Shares in issue as at the Latest Practicable Date);
- (b) the EE Shares remaining listed on the Main Board up to the Closing Date (or, if earlier, the Offer Unconditional Date), the trading of which not being suspended for a period of 30 consecutive days or more and no indication being received from the SFC and/or the Stock Exchange to the effect that the listing of the EE Shares on the Stock Exchange is or is likely to be withdrawn (save for any temporary suspension of trading of the EE Shares pending the release of any announcement in respect of the Share Offer);
- (c) none of the members of the EE Group is engaged in any litigation, arbitration or governmental proceeding which (individually or in aggregate) is likely to have a material adverse effect on the financial or trading position of the EE Group as a whole and no such litigation, arbitration or governmental proceeding has been threatened in writing to EE and there are no circumstances likely to give rise to any such litigation, arbitration or governmental proceeding; and
- (d) EE has not been given notice of any ongoing governmental or other investigation, enquiry or disciplinary proceeding concerning EE or any member of the EE Group in any jurisdiction that is material to the EE Group as a whole or that any investigation, enquiry or disciplinary proceeding is pending or threatened.

The Offeror reserves the right to waive all or any of the Conditions to the Share Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except for Condition (a) which may not be waived. If any of the Conditions are not satisfied or waived (as applicable) on or before the Conditions Long Stop Date, the Share Offer will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any Condition(s) to the Share Offer other than the acceptance condition, so as to cause the Share Offer to lapse as a basis for not proceeding with the Share Offer unless the circumstances which give rise to the right to invoke the Condition(s) to the Share Offer are of material significance to the Offeror in the context of the Share Offer.

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Share Offer or the fulfilment of the Conditions (as the case may be) in accordance with the Takeovers Code.

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## LETTER FROM THE BOARD

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### VALUE OF THE SHARE OFFER

As at the Latest Practicable Date, there were 931,458,010 EE Shares in issue, of which 655,770,345 EE Shares will be subject to the Share Offer. Assuming that there is no change in the issued EE Shares from the Last Practicable Date up to the Closing Date and assuming full acceptance of the Share Offer, based on the Share Offer Price of HK\$0.50 per EE Share, the total cash consideration payable by the Offeror under the Share Offer would be approximately HK\$327.9 million.

The Offeror intends to finance the total consideration payable under the Share Offer through cash and debt financing obtained by the Easyknit Group, and the EE Shares to be acquired by the Offeror under the Share Offer will be pledged to the bank as charged securities for the relevant debt financing.

### COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS OF EE

The Offeror does not intend to avail itself of any powers of compulsory acquisition in respect of EE under the provisions of the laws of Bermuda. The Offeror and Easyknit intend the EE Shares to remain listed on the Stock Exchange after the close of the Share Offer. According to the Listing Rules, if, at the close of the Share Offer, less than 25% of the issued EE Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the EE Shares or (ii) there are insufficient EE Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the EE Shares.

### INFORMATION OF THE EASYKNIT GROUP

The Easyknit Group is principally engaged in property development, property investment, securities investment and loan financing businesses. One of the core businesses of the Easyknit Group is property development. The Easyknit Group has extensive experience in property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Another core business of the Easyknit Group is property investment. The Easyknit Group's investment properties comprise residential, commercial and industrial properties in Hong Kong.

### INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability and is indirectly wholly-owned by Easyknit.

### INFORMATION OF EE

EE was incorporated in Bermuda on 14 June 1991 and has been listed on the Stock Exchange since 1991. The EE Group is principally engaged in property investment.

As at the Latest Practicable Date, Easyknit, through the Offeror, Landmark Profits and Goodco, held a total of 275,687,665 EE Shares, representing approximately 29.60% of the total issued share capital of EE and is a substantial shareholder of EE and a connected person of EE.

## LETTER FROM THE BOARD

### FINANCIAL INFORMATION OF THE EE GROUP

EE Group's audited annual reports for the three financial years ended 31 March 2020 and the unaudited interim report for the six months ended 30 September 2020 are published on the websites of the Stock Exchange and EE respectively. For details of the financial information of EE, please refer to "Financial Information of the EE Group" set out in Appendix II to this circular.

Set out below are extracts from the annual reports of EE for the three years ended 31 March 2020 and the interim report of EE for the six months ended 30 September 2020 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"):

	<b>For the year ended</b>			<b>For the six months ended</b>	
	<b>31 March</b>			<b>30 September</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	49,605	62,228	80,682	23,899	22,664
Profits/(loss)					
before tax	54,608	50,910	(209,657)	(12,503)	(66,091)
Profit/(loss)					
after tax	53,539	50,510	(206,192)	(12,369)	(64,552)
				<b>As at 30</b>	<b>September</b>
				<b>2020</b>	<b>2020</b>
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(Audited)	(Unaudited)
Total assets		4,011,917	4,034,545	4,602,993	4,679,276
Total liabilities		(1,296,629)	(1,300,375)	(1,661,124)	(1,775,234)
Net assets		2,715,288	2,734,170	2,941,869	2,904,042

As at 30 September 2020, the unaudited consolidated net assets of the EE Group attributable to the EE Shareholders was approximately HK\$2,904.0 million.

For the management discussion and analysis of the financial performance of the EE Group for the three years ended 31 March 2020 and six months ended 30 September 2020, please refer to "Management discussion and analysis of the EE Group" set out in Appendix III to this circular.

Upon the closing of the Share Offer, if the Share Offer becomes unconditional, EE will be a non wholly-owned subsidiary of the Offeror and the financial results of the EE Group will be consolidated into the financial statements of the Easyknit Group. Easyknit prepares its financial statements using HKFRS, and the Easyknit Directors believe that, based on the internal assessment by the financial management team of Easyknit, there is no major difference between Easyknit's accounting standards and the EE Group's accounting standards.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF EE

As at the Latest Practicable Date, there were 931,458,010 EE Shares in issue. In addition, the Goodco Convertible Notes are outstanding and convertible into EE Shares. The following is the shareholding structure of EE as at the Latest Practicable Date (based on relevant filings under Part XV of the SFO – Disclosure of Interests).

<b>Name of EE Shareholder</b>	<b>Number of EE Shares</b>	<b>Approximate percentage of issued EE Shares %</b>
<b>The Offeror and parties acting in concert with it</b>		
The Offeror <sup>(i)</sup>	90,855,000	9.76
Landmark Profits <sup>(i)</sup>	23,387,370	2.51
Goodco <sup>(i) (ii)</sup>	161,445,295	17.33
<i>Sub-total</i>	<i>275,687,665<sup>(i)</sup></i>	<i>29.60</i>
<b>Public EE Shareholders</b>		
Hu Rong	47,030,000	5.05
Other public EE Shareholders	608,740,345	65.35
<i>Sub-total</i>	<i>655,770,345</i>	<i>70.40</i>
<b>Total</b>	<b>931,458,010</b>	<b>100.00</b>

*Notes:*

- (i) Of the 275,687,665 EE Shares held by the Offeror and parties acting in concert with it, 90,855,000 EE Shares, 23,387,370 EE Shares and 161,445,295 EE Shares are registered in the name of and beneficially owned by the Offeror, Landmark Profits and Goodco respectively, all of which are wholly-owned subsidiaries of Easyknit.
- (ii) Goodco also has an interest in, for SFO purposes, 389,120,000 underlying EE Shares which comprise (i) 64,000,000 shares (subject to adjustment) to be issued upon full conversion of the Goodco Convertible Note issued by EE on 11 May 2017; (ii) 45,120,000 shares (subject to adjustment) to be issued upon full conversion of the Goodco Convertible Note issued by EE on 26 September 2017; and (iii) 280,000,000 shares (subject to adjustment) to be issued upon full conversion of the Goodco Convertible Note issued by EE on 28 August 2019.

### INTENTIONS OF EASYKNIT REGARDING THE EE GROUP

Easyknit does not at present intend to dispose of or redeploy the assets of the EE Group other than in the ordinary course of business and has no intention to change the existing management of the EE Group. On completion of the Share Offer, EE, which is at present recognised as an associate in the books of Easyknit, will become a subsidiary of Easyknit and Easyknit will review with the board of EE their respective businesses and operations and whether changes are desirable in order to maximise efficiencies and exploit possible synergies. If any changes are proposed as a result of that review, they will be made in compliance with the Listing Rules and (if relevant at the time) the Takeovers Code.

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## LETTER FROM THE BOARD

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### **BASIS OF THE SHARE OFFER PRICE**

The Share Offer Price was determined on a commercial basis after taking into account, among other things, (i) the historical market prices of the EE Shares traded on the Stock Exchange; (ii) the unaudited net assets of the EE Group attributable to the EE Shareholders as at 30 September 2020; and (iii) the historical financial performance of the EE Group.

### **REASONS FOR AND BENEFITS OF THE SHARE OFFER FOR EASYKNIT**

The Easyknit Group considers EE to be an attractive acquisition opportunity. Easyknit (i) is prudently optimistic about the long-term prospects of the Hong Kong property market; and (ii) considers the EE Shares is undervalued as the EE Share price dropped from its recent-high in 2019 at the highest closing price of HK\$1.74. Between 12 February 2020 to 2 March 2020, Easyknit, through the Offeror, on-market acquired a total of 71,055,000 EE Shares, representing approximately 7.63% of the then total issued share capital of EE. On 4 September 2020, the Easyknit Group acquired additional EE Shares through on-market purchases of a total of 19,800,000 EE Shares, representing approximately 2.13% of the then total issued share capital of EE. As a result, the Easyknit Group's ownership of voting rights in EE is approximately 29.60% as at the Latest Practicable Date.

Set out below are observations of Easyknit in relation to EE's investment fundamentals.

#### **1. Prudently optimistic about the prospects of the Hong Kong property market**

EE's major business segments include property development and property investment. For the past few years, Hong Kong's property market, and hence EE's business performance, have been adversely affected by the macro environment including (i) the Sino-U.S. trade dispute since the second half of 2018; (ii) the social unrest in Hong Kong after June 2019; and (iii) the global outbreak of COVID-19 in early 2020.

Easyknit expects that the impact from the Sino-U.S. trade dispute will continue to linger and the economic outlook of Hong Kong will remain uncertain until the COVID-19 pandemic subsides. As the work-from-home model has become prevalent during the COVID-19 pandemic, this working mode may become permanent or widespread for certain sectors, implying a potential lower demand for office space in the future. Further, as tourist shopping expenditure contributes significantly to the total retail sector in Hong Kong, the compulsory quarantine arrangements will continue to deter travelers from visiting Hong Kong, putting downward pressure on the retail sector and in turn the demand for shops/commercial spaces, adversely affecting rental payments to landlords.

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## LETTER FROM THE BOARD

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Despite the uncertainties on the economic outlook caused by the softening global economic growth and the outbreak of COVID-19, Easyknit remains prudently optimistic about the long-term prospects of the Hong Kong property market and believes the market will continue to grow over the longer term considering the macroeconomic fundamentals set out below:

***(i) the growth prospects of Hong Kong's economy as part of the Guangdong-Hong Kong-Macau Greater Bay Area and hence the demand of its properties***

With reference to the “2020 Economic Background and 2021 Prospects” issued by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”), the Easyknit Board noted that the “14<sup>th</sup> Five-Year Plan” for 2021-2025 of China increased emphasis on “dual circulation”, in which the Guangdong-Hong Kong-Macao Greater Bay Area will be an important entry point for Hong Kong to participate in the domestic circulation.

Hong Kong’s “One Country, Two Systems” and strong competitive edges in high-value added professional and business services allow Hong Kong to play the role as an “intermediary” and “facilitator” in the development of China’s external circulation. The potential benefits in participating in the external circulation set a solid foundation for Hong Kong’s economy to grow.

In the long run, property prices will be determined by the economic strength of the region as higher income would increase both demand for (i) consumption of properties (self-occupied properties); and (ii) investment in properties. Given that Hong Kong’s economy is set to benefit from the Guangdong-Hong Kong-Macau Greater Bay Area, the Easyknit Board considers that demand for Hong Kong properties will also increase.

***(ii) increasing fundamental demand for properties due to the rising number of domestic households***

The statistics on domestic households published by the Census and Statistics Department show a continuing increase in number of domestic households from 2,534,700 in 2017 to 2,684,700 in 2020. The Census and Statistics Department estimates the number of domestic households to further increase to 2,734,500 by 2024. Such rise in domestic households will result in demand for housing.

***(iii) limited land supply in Hong Kong, in particular the limited short-term supply due to delays in government approvals***

According to the 2020 Policy Address issued by the chief executive of the Hong Kong Government, the Hong Kong Government has identified 330 hectares of land required for providing 316,000 public housing units. Of the 316 000 units, about one-third are scheduled for completion in the first five-year period (i.e. 2021-22 to 2025-26) whereas the other two-third fall in the second five-year period (i.e. 2026-27 to 2030-31).

Despite the Hong Kong Government’s efforts, as shown above, the short-term land supply (only one-third of the increased supply can be completed by 2026) remains limited as time is required for implementation of the Hong Kong Government’s plan to raise land supply. A rise in demand, coupled with limited supply will exert upward pressure on general prices in the housing market, which will bolster the real estate market.

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## LETTER FROM THE BOARD

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*(iv) loose monetary policy resulting in lower interest rates, which support mortgage's affordability and hence the demand for properties*

One-month Hong Kong Interbank Offered Rate has been on a decreasing trend, falling from 2.680% as at 31 December 2019 to 0.180% as at 31 December 2020 and a further decrease to 0.120% as at 25 February 2021.

The low interest rate reduces the financial burden of the mortgagor and hence could increase the demand for properties.

*(v) favourable government policies*

These favourable government policies include (a) introduction of a pilot scheme for charging land premium at "standard rates" for industrial buildings (target to launch in early 2021); and (b) the abolishment of doubled Ad Valorem Stamp Duty for non-residential property transactions is effective from 26 November 2020, which decreased the maximum to 4.25% from previously 8.5% on non-residential property transactions. Such policies are designed to incentivise property acquisition and should lift market demand.

## 2. Undervaluation of the EE Shares

Set out below is a table illustrating the historical average market capitalisation of EE against the EE Group's published net asset value attributable to equity holders during the relevant periods:

	<b>Net asset value attributable to equity holders<sup>(i)</sup></b>	<b>Average market capitalisation of EE<sup>(ii)</sup></b>	<b>Approximate discount to net asset value attributable to equity holders<sup>(iii)</sup></b>
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>%</i>
As at 31 March 2018	2,715,288	223,272	91.8
As at 30 September 2018	2,631,487	218,418	91.7
As at 31 March 2019	2,734,170	132,554	95.2
As at 30 September 2019	2,788,849	369,338	86.8
As at 31 March 2020	2,941,869	312,623	89.4
As at 30 September 2020	2,904,042	358,429 <sup>(iv)</sup>	87.7 <sup>(iv)</sup>
		(up to the Last Trading Day)	

Source: The Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- (i) The audited and unaudited consolidated net asset value attributable to equity holders as at the respective year/period end date were extracted from the respective annual/interim reports published by EE.



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- (ii) Represents the average market capitalisation of EE during the period from the trading day following the publication by EE of its audited annual results or unaudited interim results (as the case may be) to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published.
- (iii) Represents the discount of the average market capitalisation to the net asset value attributable to equity holders as at the respective year/period end date.
- (iv) Represents the average market capitalisation during the period from 23 November 2020, being the trading day following the publication by EE of its unaudited 2020 interim results, to the Last Trading Day.

While the market capitalisation of EE fluctuates, overall, it has declined from its last high in 2019 but Easyknit has observed that the business fundamentals of EE have not materially and adversely changed. Instead, the net asset value attributable to equity holders as at 30 September 2020 improved compared to that recorded as at 31 March 2018 as shown in the above table, mainly due to rise in the book-value of the properties (being the property development projects or the investment properties) which are indicators of a property company's future earnings potential.

Easyknit noted that, albeit the Share Offer Price is at premium to the EE Share price as at the Last Trading Day, the EE Shares have consistently traded at substantial discounts to the net asset value attributable to equity holders for the past three financial years. Easyknit also noted that the current discount of the EE share price to its net asset value is much deeper than that of most of the market peers of EE.

In light of the above, Easyknit considers EE to be an attractive acquisition opportunity and considers it to be an opportune time to acquire control of EE. As the intention is to acquire control (i.e. over 50%), the Share Offer Price is set at a premium to that recorded on the market at closing on the Last Trading Day for commercial reasons.

In addition, the Easyknit Directors consider the Share Offer to be an effective channel for Easyknit to expand into the non-residential property development sector. The Easyknit Directors expect such expansion to create synergy values by achieving greater business coherence and enhancing resources allocation.

Accordingly, the Easyknit Directors are of the view that the terms of the Share Offer are fair and reasonable and the possible very substantial acquisition is in the interests of Easyknit and the Easyknit Shareholders as a whole.

### LISTING RULES IMPLICATION

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Offer exceeds 100%, the implementation of the Share Offer will constitute a very substantial acquisition for Easyknit under Chapter 14 of the Listing Rules and is therefore subject to the requirements of notification, announcement, reporting and approval from the Easyknit Shareholders.

Ms. Lui Yuk Chu, as an executive director of both Easyknit and EE, chose to abstain from voting on the relevant board resolution relating to the Share Offer at the board meetings of Easyknit and EE. None of the Easyknit Directors is a shareholder of EE.

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## LETTER FROM THE BOARD

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As none of the Easyknit Shareholders or their associates have any interests in the Share Offer, no Easyknit Shareholder will be required to abstain from voting on the resolution relating to the Share Offer at the Easyknit SGM.

As at Latest Practicable Date, there were 931,458,010 EE Shares in issue, of which 275,687,665 EE Shares or approximately 29.60 % are held by the Offeror and parties acting in concert with it. In addition, Goodco, a party acting in concert with the Offeror (being a wholly-owned subsidiary of Easyknit, which is the parent company of the Offeror), holds the Goodco Convertible Notes with an outstanding aggregate principal amount of HK\$97,280,000 at a conversion price that is currently HK\$0.25 (subject to adjustment) all due on 28 August 2024. As Goodco is a party acting in concert with the Offeror, no offer will be made for the Goodco Convertible Notes under Rule 13 of the Takeovers Code.

### THE EASYKNIT SGM

A notice convening the Easyknit SGM, to be held on 19 March 2021 at 9:00 a.m. at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving, the Share Offer is set out on pages N-1 to N-3 of this circular. Whether or not Easyknit Shareholders are able to attend the meeting, they are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to Easyknit'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 48 hours before the time appointed for the holding of the Easyknit SGM. Completion and return of the proxy form will not preclude Easyknit Shareholders from attending and voting in person at the Easyknit SGM or any adjournment thereof should they so wish.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the Easyknit SGM, the register of members will be closed from Tuesday, 16 March 2021 to Friday, 19 March 2021, both days inclusive. During such period, no share transfers of Easyknit will be registered. In order to qualify to attend and vote at the Easyknit SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with Easyknit'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 Monday, 15 March 2021.

### FINANCIAL EFFECTS OF THE SHARE OFFER ON EASYKNIT

Upon the closing of the Share Offer, if the Share Offer becomes unconditional, EE will be a non wholly-owned subsidiary of the Offeror and the financial results of the EE Group will be consolidated into the financial statements of the Easyknit Group.

According to "Unaudited pro forma financial information of the Enlarged Group" set out in Appendix IV to this circular:

Assuming the Share Offer is accepted in full by all EE Shareholders and Easyknit disposed 25% of the issued EE Shares at HK\$0.50 per EE Share, Easyknit will hold 75% of the total issued share capital of EE immediately after closing of the Share Offer and the disposal.

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## LETTER FROM THE BOARD

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The total assets of the Easyknit Group as at 30 September 2020 would have been increased by approximately HK\$3,872.4 million, from approximately HK\$4,887.1 million to approximately HK\$8,759.6 million, assuming completion of the Share Offer had taken place on 30 September 2020;

The total liabilities of the Easyknit Group as at 30 September 2020 would have been increased by approximately HK\$2,023.7 million, from approximately HK\$1,717.9 million to approximately HK\$3,741.6 million, assuming completion of the Share Offer had taken place on 30 September 2020; and

The profit attributable to owners of Easyknit for the year ended 31 March 2020 would have been increased by approximately HK\$1,532.3 million, from loss attributable to owners of Easyknit of approximately HK\$297.8 million to profit attributable to owners of Easyknit of approximately HK\$1,234.5 million, assuming completion of the Share Offer had taken place on 1 April 2019.

### RECOMMENDATION

The Board considers that terms and conditions of the Share Offer are fair and reasonable and in the interests of Easyknit and Easyknit Shareholders as a whole. The Board therefore recommends the Easyknit Shareholders to vote in favour of the ordinary resolution to be proposed at the Easyknit SGM to approve the Share Offer.

### ADDITIONAL INFORMATION

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

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

**1. FINANCIAL INFORMATION OF THE EASYKNIT GROUP**

By way of reference, the financial information of the Easyknit Group for the three years ended 31 March 2020 and the six months ended 30 September 2020 is disclosed in the following documents, which have been published on the respective websites of the Stock Exchange at <http://www.hkexnews.hk> and Easyknit at <https://www.easyknit.com/>:

- (a) the annual report of Easyknit for the year ended 31 March 2018 published on 29 June 2018, from pages 75 to 194;
- (b) the annual report of Easyknit for the year ended 31 March 2019 published on 28 June 2019, from pages 78 to 246;
- (c) the annual report of Easyknit for the year ended 31 March 2020 published on 6 July 2020, from pages 78 to 234; and
- (d) the interim report of Easyknit for the six months ended 30 September 2020 published on 18 December 2020, from pages 28 to 76, which has been reviewed by Easyknit's audit committee.

**2. INDEBTEDNESS STATEMENT**

**Borrowings, lease liabilities and other creditors**

As at the close of business on 31 January 2021, being the latest practicable date for the purpose of this indebtedness statement, the Easyknit Group had total borrowings, lease liabilities and other creditors of approximately HK\$1,300.0 million, details of which are as follows:

	<i>HK\$'000</i>
<b>Non-current</b>	
Secured bank borrowings	547,936
Lease liabilities	410
	548,346
<b>Current</b>	
Secured bank borrowings	653,120
Lease liabilities	218
Amount due to non-controlling shareholder	98,349
	751,687
	1,300,033

As at the close of business on 31 January 2021, the Easyknit Group had an amount due to a non-controlling shareholder of approximately HK\$98.3 million which is unsecured, unguaranteed, interest-free and repayable on demand. The amount is related to the non-controlling shareholder's contribution to the property development project in Waterloo Road site.

As at the close of business on 31 January 2021, the Easyknit Group had lease liabilities of approximately HK\$0.6 million which are unsecured and unguaranteed. The Easyknit Group leases office for its operations and the lease contracts are entered into for fixed terms of 2 to 3 years.

**Pledged of assets**

The Easyknit Group had outstanding secured bank borrowings of approximately HK\$1,201.1 million, which were secured by charges over leasehold properties, investment properties, properties held for development for sale, properties held for sale and life insurance policy of the Easyknit Group with carrying amounts of approximately HK\$105.2 million, HK\$1,203.4 million, HK\$1,785.3 million, HK\$59.7 million and HK\$11.3 million respectively at 31 January 2021 and all bank borrowings were guaranteed by the Easyknit.

Save as disclosed above and apart from intra-group liabilities, the Easyknit Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding as at the close of business on 31 January 2021.

### **3. WORKING CAPITAL STATEMENT**

The Easyknit Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances the Easyknit Group will have sufficient working capital for its present operating requirements and for the next 12 months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Easyknit Directors are not aware of any material adverse change in the financial position or trading position of the Easyknit Group since 31 March 2020, being the date to which the latest published audited financial statements of the Easyknit Group was made up.

### **5. FINANCIAL AND TRADING PROSPECTS**

Although uncertainties in the global economic outlook have been caused by the softening global economic growth, trade war between the United States of America and the People's Republic of China, and the outbreak of coronavirus disease (COVID-19), the Easyknit 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 Easyknit Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Easyknit 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 Easyknit Group to maintain its competitiveness thereby ensuring the Easyknit Group's sustainability and securing shareholders' benefits.

**FINANCIAL INFORMATION OF THE EE GROUP**

By way of reference, the financial information of the EE Group for the three years ended 31 March 2020 and the six months ended 30 September 2020 is disclosed in the following documents, which have been published on the respective websites of the Stock Exchange at <http://www.hkexnews.hk> and EE at <http://www.eminence-enterprise.com/en/>:

- (a) the annual report of EE for the year ended 31 March 2018 published on 22 June 2018, from pages 45 to 149;
- (b) the annual report of EE for the year ended 31 March 2019 published on 20 June 2019, from pages 61 to 189;
- (c) the annual report of EE for the year ended 31 March 2020 published on 18 June 2020, from pages 70 to 213; and
- (d) the interim report of EE for the six months ended 30 September 2020 published on 11 December 2020, from pages 38 to 108, which has been reviewed by EE's audit committee.

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## APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS OF THE EE GROUP

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THE MANAGEMENT DISCUSSION AND ANALYSIS OF THE EE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020 AND EACH OF THE THREE YEARS ENDED 31 MARCH 2018, 2019 AND 2020 ARE SET OUT IN EE'S PUBLISHED INTERIM AND ANNUAL REPORTS. THE REPORTS CAN BE VIEWED AT THE FOLLOWING HYPERLINKS:

<b>For the six months ended</b>	<b>Publication date of interim report</b>	<b>Pages</b>
30 September 2020	11 December 2020	5–24
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100217.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100217.pdf</a>		
<b>For the year ended</b>	<b>Publication date of annual report</b>	<b>Pages</b>
31 March 2020	18 June 2020	5–21
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0618/2020061800324.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0618/2020061800324.pdf</a>		
31 March 2019	20 June 2019	5–16
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0620/ltn20190620297.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0620/ltn20190620297.pdf</a>		
31 March 2018	22 June 2018	5–16
<a href="http://www3.hkexnews.hk/listedco/listconews/sehk/2018/0622/ltn20180622291.pdf">http://www3.hkexnews.hk/listedco/listconews/sehk/2018/0622/ltn20180622291.pdf</a>		



## INTRODUCTION

*The Pre-Condition must be satisfied before the making of the Share Offer. The making of the Share Offer is therefore a possibility only. If made, the Share Offer may or may not become unconditional, subject to the satisfaction or waiver (where applicable) of the Conditions, and will lapse if it does not become unconditional.*

*The financial effects of the Share Offer is dependent on the acceptance level of the Share Offer. In the case that the Easyknit Group will obtain control of EE upon the completion of the Share Offer, EE would be a subsidiary of Easyknit and its results and assets and liabilities will be consolidated by the Easyknit Group with the recognition of non-controlling interests as appropriate.*

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect if the Offeror acquires all the issued EE Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) through the Share Offer and EE becomes a subsidiary of Easyknit.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2020 is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Easyknit Group as at 30 September 2020 as extracted from the interim report of Easyknit for the six months ended 30 September 2020 and (ii) the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020 as extracted from the interim report of EE for the six months ended 30 September 2020, as if the Pre-Condition and Conditions are satisfied and the Share Offer had been closed on 30 September 2020.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2020 are prepared based on the (i) audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Easyknit Group for the year ended 31 March 2020 as extracted from the annual report of Easyknit for the year ended 31 March 2020 and (ii) audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the EE Group for the year ended 31 March 2020 as extracted from the annual report of EE for the year ended 31 March 2020, as if the Pre-Condition and Conditions are satisfied and the Share Offer had been closed on 1 April 2019.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Share Offer actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information should be read in conjunction with the financial information of the Easyknit Group and the EE Group as referred to in Appendix I and Appendix II to this circular ("**Circular**") and other financial information included elsewhere in the Circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
OF THE ENLARGED GROUP

	Easyknit							Unaudited Pro forma for the Enlarged Group (Unaudited)
	Group as at							
	30 September							
	2020							
	HK\$'000	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	HK\$'000	
(Unaudited)				HK\$'000	HK\$'000			
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
<b>Non-current assets</b>								
Property, plant and equipment	76,919	-	6,171	-	-	-	83,090	
Right-of-use assets	770	-	7,042	(7,042)	-	-	770	
Investment properties	1,206,200	-	1,275,489	-	-	-	2,481,689	
Interests in associates	840,347	(775,560)	-	(64,787)	-	-	-	
Interest in a joint venture	57	-	-	-	-	-	57	
Financial assets at fair value through profit or loss ("FVTPL")	74,291	-	14,807	(62,826)	-	-	26,272	
Debt instruments at fair value through other comprehensive income ("FVTOCI")	7,946	-	33,488	-	-	-	41,434	
Other debt instrument at amortised cost	15,212	-	-	-	-	-	15,212	
Loans receivable	15,877	-	17,870	-	-	-	33,747	
Intangible asset	500	-	-	-	-	-	500	
Deferred tax assets	2,632	-	-	-	-	-	2,632	
Deposits	205	-	-	-	-	-	205	
Other receivables	-	-	101,500	-	-	-	101,500	
	2,240,956	(775,560)	1,456,367	(134,655)	-	-	2,787,108	

## APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	Easyknit Group as at 30 September 2020							Unaudited Pro forma for the Enlarged Group
	HK\$'000	HK\$'000	HK\$'000	Pro forma adjustments			HK\$'000	
	(Unaudited)			HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
<b>Current assets</b>								
Properties held for development for sale	1,987,583	-	2,664,667	-	-	-	-	4,652,250
Properties held for sale	118,503	-	-	-	-	-	-	118,503
Financial assets at FVTPL	241,715	-	83,516	(11,284)	-	-	-	313,947
Debt instruments at FVTOCI	3,810	-	8,040	-	-	-	-	11,850
Trade and other receivables	41,435	-	26,099	-	-	-	-	67,534
Tax recoverable	672	-	-	-	-	-	-	672
Loans receivable	195,220	-	275,322	-	-	-	-	470,542
Bank balances and cash	57,236	-	165,265	(327,885)	327,885	116,432	(1,789)	337,144
	<u>2,646,174</u>	<u>-</u>	<u>3,222,909</u>	<u>(339,169)</u>	<u>327,885</u>	<u>116,432</u>	<u>(1,789)</u>	<u>5,972,442</u>
<b>Current liabilities</b>								
Trade and other payables	36,547	-	99,763	-	-	-	-	136,310
Contract liabilities	63,551	-	-	-	-	-	-	63,551
Amount due to non-controlling shareholder	94,314	-	-	-	-	-	-	94,314
Tax payable	50,924	-	9,444	-	-	-	-	60,368
Lease liabilities	386	-	2,366	(2,366)	-	-	-	386
Secured bank borrowings	884,192	-	381,936	-	327,885	-	-	1,594,013
Convertible notes	-	-	51,096	(22,904)	-	-	-	28,192
	<u>1,129,914</u>	<u>-</u>	<u>544,605</u>	<u>(25,270)</u>	<u>327,885</u>	<u>-</u>	<u>-</u>	<u>1,977,134</u>
<b>Net current assets</b>	<u>1,516,260</u>	<u>-</u>	<u>2,678,304</u>	<u>(313,899)</u>	<u>-</u>	<u>116,432</u>	<u>(1,789)</u>	<u>3,995,308</u>
<b>Total assets less current liabilities</b>	<u>3,757,216</u>	<u>(775,560)</u>	<u>4,134,671</u>	<u>(448,554)</u>	<u>-</u>	<u>116,432</u>	<u>(1,789)</u>	<u>6,782,416</u>

	Easyknit Group as at 30 September 2020							Unaudited Pro forma for the Enlarged Group
	HK\$'000	HK\$'000	HK\$'000	Pro forma adjustments			HK\$'000	
	(Unaudited)			HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
<b>Non-current liabilities</b>								
Secured bank borrowings	587,564	-	1,155,877	-	-	-	1,743,441	
Lease liabilities	410	-	4,682	(4,682)	-	-	410	
Deferred taxation	-	-	25,504	(4,883)	-	-	20,621	
Convertible note	-	-	44,566	(44,566)	-	-	-	
	<u>587,974</u>	<u>-</u>	<u>1,230,629</u>	<u>(54,131)</u>	<u>-</u>	<u>-</u>	<u>1,764,472</u>	
<b>Net assets</b>	<u>3,169,242</u>	<u>(775,560)</u>	<u>2,904,042</u>	<u>(394,423)</u>	<u>-</u>	<u>116,432</u>	<u>(1,789)</u>	<u>5,017,944</u>
<b>Capital and reserves</b>								
Share capital	9,132	-	-	-	-	-	-	9,132
Reserves	<u>3,160,672</u>	<u>(775,560)</u>	<u>2,904,042</u>	<u>(394,423)</u>	<u>-</u>	<u>(609,579)</u>	<u>(1,789)</u>	<u>4,283,363</u>
Equity attributable to owners of								
Easyknit	3,169,804	(775,560)	2,904,042	(394,423)	-	(609,579)	(1,789)	4,292,495
Non-controlling interest	<u>(562)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,011</u>	<u>-</u>	<u>725,449</u>
	<u>3,169,242</u>	<u>(775,560)</u>	<u>2,904,042</u>	<u>(394,423)</u>	<u>-</u>	<u>116,432</u>	<u>(1,789)</u>	<u>5,017,944</u>

## Notes to the unaudited pro forma consolidated statement of financial position:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Easykmit Group as at 30 September 2020 as set out in the interim report of the Easykmit Group for the six months ended 30 September 2020.
2. As at 30 September 2020, 29.60% of the EE Shares then in issue were held by the Easykmit Group and recorded the interests as “Interests in associates”. The carrying amount of “Interests in associates” as at 30 September 2020 was approximately HK\$840,347,000 as extracted from the unaudited condensed consolidated statement of financial position of the Easykmit Group as at 30 September 2020. The adjustment represents the remeasurement of the carrying amount of “Interests in associates” based on the quoted market bid prices available on the Stock Exchange as at 30 September 2020 as the fair value of each EE Share in issue held by the Easykmit Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer. Fair value of 29.60% of EE Shares in issue held as at 30 September 2020 would have been approximately HK\$64,787,000. Accordingly, a loss on remeasurement of previously held interest in EE after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer of approximately HK\$778,483,000 would be recognised in profit or loss, which included release of negative translation reserve and positive debt instruments at FVTOCI reserve amounting to approximately HK\$2,939,000 and HK\$16,000 respectively.
3. The adjustment represents the recognition of assets and liabilities of the EE Group as at 30 September 2020, assuming the Easykmit Group owned 100% of the EE Shares in issue upon closing of the Share Offer, which had taken place on 30 September 2020. The financial information is extracted from the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020 as set out in the interim report of EE for the six months ended 30 September 2020.
4. For pro forma purpose, it is assumed that, upon closing of the Share Offer, the Easykmit Group will own 100% of the EE Shares in issue. The consideration of approximately HK\$327,885,000 for 70.40% (all of the issued EE Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) of the issued EE Shares will be settled through cash and debt financing obtained by the Easykmit Group, and the EE Shares to be acquired by the Offeror under the Share Offer will be pledged to the bank as charge securities for the relevant debt financing (See Note 5 below). As the Easykmit Group increases its ownership interest in the EE Group and obtained control of the EE Group as soon as the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer, the difference between the amount by which
  - (i) the consideration paid for 70.40% of the issued EE Shares under the Share Offer;
  - (ii) difference between the amount of Goodco Convertible Notes recorded in the Easykmit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in “Financial assets at FVTPL” as extracted from the unaudited condensed consolidated statement of financial position of the Easykmit Group as at 30 September 2020 and (ii) “Convertible notes” subscribed by the Easykmit Group and “Deferred taxation” recognised for Goodco Convertible Notes as extracted from the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020);
  - (iii) the fair value of the 29.60% of the EE Shares held as at 30 September 2020 (see Note 2 above); and

- (iv) the fair value of net identifiable assets of the EE Group as soon as the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer (assumed to be the net assets attributable to owners of EE as at 30 September 2020 excluded “Right-of-use assets” and “Lease liabilities” for the leases rented from the Easykmit Group, as extracted from the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020),

is recognised as gain on a bargain purchase in profit or loss. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
(i) Consideration paid for 70.40% of the EE Shares in issue acquired under the Share Offer (i.e. HK\$0.50 x 655,770,345 EE Shares)	327,885
(ii) Difference between the amount of Goodco Convertible Notes recorded in the Easykmit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in “Financial assets at FVTPL” of approximately HK\$74,110,000 as extracted from the unaudited condensed consolidated statement of financial position of the Easykmit Group as at 30 September 2020 and (ii) “Convertible notes” subscribed by the Easykmit Group of approximately HK\$67,470,000 and “Deferred taxation” recognised for Goodco Convertible Notes of approximately HK\$4,883,000 as extracted from the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020)	1,757
(iii) Fair value of 29.60% of the EE Shares in issue held as at 30 September 2020 (see Note 2 above)	64,787
	394,429
Sub-total	394,429
Less:	
(iv) Fair value of net identifiable assets of the EE Group as at 30 September 2020 (assumed to be the net assets attributable to owners of EE as at 30 September 2020 of approximately HK\$2,904,042,000 excluded “Right-of-use assets” of approximately HK\$7,042,000 and “Lease liabilities” of approximately HK\$7,048,000 for the leases rented from the Easykmit Group, as extracted from the unaudited condensed consolidated statement of financial position of the EE Group as at 30 September 2020)	(2,904,048)
	(2,509,619)

5. The adjustment represents that the Easykmit Group intends to finance the total consideration of approximately HK\$327,885,000 payable under the Share Offer through debt financing obtained by the Easykmit Group.
6. The Easykmit Group intends that EE will remain listed on the Stock Exchange. The EE Directors will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the EE Shares in the event that the Offeror and parties acting in concert with it acquire more than 75% of the issued EE Shares under the Share Offer.

For pro forma purpose, it is assumed that, upon closing of the Share Offer, the Easykmit Group will own 100% of the EE Shares in issue. It is further assumed that 25% of the issued EE Shares will be disposed by the Easykmit Group in order to maintain sufficient public float of EE. The number of EE Shares to be disposed is assumed to be 232,864,503 (being 25% of the total of 931,458,010 EE Shares in issue). Assuming the EE Shares will be disposed at HK\$0.50 each, the consideration received will be approximately HK\$116,432,000.

Upon disposal of 25% issued EE Shares as mentioned above, EE is assumed to be remained as a subsidiary of the Easykmit Group, the difference between (i) the amount by which the non-controlling interest are adjusted and (ii) the consideration received is recognised directly to other reserve in equity attributable to owners of Easykmit. The non-controlling interest increased by approximately HK\$726,011,000 (being 25% of the net assets attributable to owners of EE of approximately HK\$2,904,042,000 as at 30 September 2020).

7. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,789,000.
8. No adjustments have been made to reflect any trading results or other transactions of the Easykmit Group entered into subsequent to 30 September 2020.

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP**

	Easyknit								Unaudited Pro forma for the Enlarged Group (Unaudited)
	Group year ended 31 March 2020								
	HK\$'000 (Audited) Note 1	HK\$'000 Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 7	HK\$'000 Note 8	
Revenue	63,633	-	80,682	-	(2,916)	-	-	-	141,399
Cost of properties sold and services rendered	(2,427)	-	(4,227)	-	-	-	-	-	(6,654)
Gross profit	61,206	-	76,455	-	(2,916)	-	-	-	134,745
Other income, gains and losses	11,009	-	7,320	-	(2,070)	-	-	-	16,259
Distribution and selling expenses	(13,009)	-	-	-	-	-	-	-	(13,009)
Administrative expenses	(57,305)	-	(52,472)	-	2,431	-	-	(1,789)	(109,135)
Net loss on modification of terms of convertible note	-	-	(37,526)	-	-	-	-	-	(37,526)
Loss on changes in fair value of investment properties	(196,888)	-	(66,623)	-	-	-	-	-	(263,511)
Gain on disposal of subsidiaries	-	-	57,511	-	-	-	-	-	57,511
Loss on remeasurement of previously held interest in EE on acquiring control	-	(628,047)	-	-	-	-	-	-	(628,047)
Gain on bargain purchase of EE	-	-	-	2,327,217	-	-	-	-	2,327,217
Write-down on properties held for sale	(578)	-	-	-	-	-	-	-	(578)
Write-down on properties held for development for sale	(28,573)	-	(134,309)	-	-	-	-	-	(162,882)
Loss on changes in fair value of financial assets at FVTPL	(28,824)	-	(20,429)	-	10,049	-	-	-	(39,204)
Release on disposal of debt instruments at FVTOCI	1,051	-	(969)	-	-	-	-	-	82
Impairment loss on financial assets:									
- Loans receivable, net	(29,256)	-	(6,581)	-	-	-	-	-	(35,837)
- Debt instruments at FVTOCI	(126)	-	(456)	-	-	-	-	-	(582)
- 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)
Finance costs	(23,622)	-	(31,578)	-	9,266	-	(12,237)	-	(58,171)
(Loss)/profit before taxation	(298,936)	(628,047)	(209,657)	2,327,217	2,931	-	(12,237)	(1,789)	1,179,482
Taxation	877	-	3,465	-	(1,174)	-	-	-	3,168
(Loss)/profit for the year	(298,059)	(628,047)	(206,192)	2,327,217	1,757	-	(12,237)	(1,789)	1,182,650

	Easyknit							Unaudited Pro forma for the Enlarged Group HK\$'000 (Unaudited)
	Group year ended							
	31 March							
	2020							
HK\$'000 (Audited)	HK\$'000	HK\$'000	Pro forma adjustments			HK\$'000	HK\$'000	HK\$'000
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	
<b>Other comprehensive (expense)</b>								
<b>income</b>								
<i>Items that may be reclassified</i>								
<i>subsequently to profit or loss:</i>								
Share of other comprehensive (expense)								
income of associates:								
Share of translation reserve of								
associates	(7,965)	-	-	-	7,965	-	-	-
Share of FVTOCI reserve of associates	(985)	-	-	-	985	-	-	-
Release of translation reserve upon								
remeasurement of previously held								
interest in EE on acquiring control	-	2,893	-	-	-	-	-	2,893
Release of FVTOCI reserve upon								
remeasurement of previously held								
interest in EE on acquiring control	-	(189)	-	-	-	-	-	(189)
Reclassification of translation reserve to								
profit or loss upon deemed partial								
disposal of interests in associates								
without loss of significant influence	1,350	-	-	-	(1,350)	-	-	-
Reclassification of FVTOCI reserve to								
profit or loss upon deemed partial								
disposal of interests in associates								
without loss of significant influence	(36)	-	-	-	36	-	-	-
	(7,636)	2,704	-	-	7,636	-	-	2,704



**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	Easyknit							Unaudited Pro forma for the Enlarged Group HK\$'000 (Unaudited)	
	Group year ended								
	31 March 2020								
	HK\$'000 (Audited) Note 1	HK\$'000 Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 8		
			HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7			
Exchange differences arising on translation of financial statements of foreign operations	-	-	(31,859)	-	-	-	-	(31,859)	
Release on disposal of debt instruments at FVTOCI	(1,051)	-	969	-	-	-	-	(82)	
Change in fair value of debt instruments at FVTOCI	(343)	-	(4,946)	-	-	-	-	(5,289)	
Impairment loss on debt instruments at FVTOCI included in profit or loss, net	126	-	456	-	-	-	-	582	
Other comprehensive expense for the year	(8,904)	2,704	(35,380)	-	7,636	-	-	(33,944)	
Total comprehensive (expense) income for the year	<u>(306,963)</u>	<u>(625,343)</u>	<u>(241,572)</u>	<u>2,327,217</u>	<u>9,393</u>	<u>-</u>	<u>(12,237)</u>	<u>(1,789)</u>	<u>1,148,706</u>
(Loss) profit for the year attributable to:									
Owners of Easyknit	(297,755)	(628,047)	(206,192)	2,327,217	1,757	51,548	(12,237)	(1,789)	1,234,502
Non-controlling interest	(304)	-	-	-	-	(51,548)	-	-	(51,852)
	<u>(298,059)</u>	<u>(628,047)</u>	<u>(206,192)</u>	<u>2,327,217</u>	<u>1,757</u>	<u>-</u>	<u>(12,237)</u>	<u>(1,789)</u>	<u>1,182,650</u>
Total comprehensive (expense) income for the year attributable to:									
Owners of Easyknit	(306,659)	(625,343)	(241,572)	2,327,217	9,393	60,393	(12,237)	(1,789)	1,209,403
Non-controlling interest	(304)	-	-	-	-	(60,393)	-	-	(60,697)
	<u>(306,963)</u>	<u>(625,343)</u>	<u>(241,572)</u>	<u>2,327,217</u>	<u>9,393</u>	<u>-</u>	<u>(12,237)</u>	<u>(1,789)</u>	<u>1,148,706</u>

Notes to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Easykmit Group for the year ended 31 March 2020 as set out in the annual report of Easykmit for the year ended 31 March 2020.
2. As at 1 April 2019, 24.93% of the EE Shares in issue was held by Easykmit Group and recorded the interests as “Interests in associates”. The carrying amount of “Interests in associates” as at 1 April 2019 was HK\$671,921,000 as extracted from the audited consolidated statement of financial position of the Easykmit Group as at 1 April 2019. The adjustment represents the remeasurement of the carrying amount of “Interests in associates” based on the quoted market bid prices available on the Stock Exchange as at 1 April 2019 as the fair value of each EE Share held by the Easykmit Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer. Fair value of 24.93% of the EE Shares in issue held as at 1 April 2019 would have been approximately HK\$46,578,000. Accordingly, a loss on remeasurement of 24.93% of the EE Shares in issue held by the Easykmit Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer of approximately HK\$628,047,000 would be recognised in profit or loss, which included release of negative translation reserve and positive debt instruments at FVTOCI reserve amounting to approximately HK\$2,893,000 and HK\$189,000 respectively.
3. The adjustment represents the inclusion of operating results of the EE Group for the year ended 31 March 2020, assuming the Easykmit Group owned 100% of the EE Shares in issue upon closing of the Share Offer, which had taken place on 1 April 2019. The financial information of the EE Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the EE Group for the year ended 31 March 2020 as set out in the annual report of EE for the year ended 31 March 2020.
4. For pro forma purpose, it is assumed that, upon completion of the Share Offer, the Easykmit Group will own 100% of the EE Shares in issue. The consideration of approximately HK\$349,623,000 for 75.07% (all of the issued EE Shares other than those already owned or agreed to be acquired by Easykmit and parties acting in concert with it) of the issued EE Shares will be settled by cash and debt financing obtained by the Easykmit Group, and the EE Shares to be acquired by the Offeror under the Share Offer will be pledged to the bank as charge securities for the relevant debt financing (See Note 7 below). As the Easykmit Group increases its ownership interest in the EE Group and obtained control of the EE Group after the Pre-Condition and Conditions are satisfied and upon the closing of the Share Offer, the difference between the amount by which
  - (i) the consideration paid for 75.07% of the issued EE Shares under the Share Offer;
  - (ii) difference between the amount of Goodco Convertible Notes recorded in the Easykmit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in “Financial assets at FVTPL” as extracted from the audited consolidated statement of financial position of the Easykmit Group as at 1 April 2019 and (ii) “Convertible notes” subscribed by the Easykmit Group and “Deferred taxation” recognised for Goodco Convertible Notes as extracted the audited consolidated statement of financial position of the EE Group as at 1 April 2019);
  - (iii) the fair value of 24.93% of the EE Shares held as at 1 April 2019 (see Note 2 above); and

- (iv) the fair value of net identifiable assets of the EE Group as soon as the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer (assumed to be the net assets attributable to owners of EE as at 1 April 2019 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019),

is recognised as gain on a bargain purchase in profit or loss. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
(i) Consideration paid for 75.07% of the EE Shares in issue acquired under the Share Offer (i.e. HK\$0.50 x 699,245,528 EE Shares)	349,623
(ii) Difference between the amount of Goodco Convertible Notes recorded in the Easyknit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in "Financial assets at FVTPL" of approximately HK\$28,033,000 as extracted from the audited consolidated statement of financial position of the Easyknit Group as at 1 April 2019 and (ii) "Convertible notes" for Goodco Convertible Notes of approximately HK\$15,347,000 and "Deferred taxation" recognised for Goodco Convertible Notes of approximately HK\$1,934,000 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019)	10,752
(iii) Fair value of 24.93% of the EE Shares in issue held as at 1 April 2019 (see Note 2 above)	46,578
	406,953
Sub-total	406,953
Less:	
(iv) Fair value of net identifiable assets of the EE Group as at 1 April 2019 (assumed to be the net assets attributable to owners of EE as at 1 April 2019 of approximately HK\$2,734,170,000 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019)	(2,734,170)
	(2,327,217)
Gain on a bargain purchase recognised in profit or loss	

5. The adjustment represents

- (i) elimination of:
- "Revenue" of approximately HK\$2,916,000,
  - "Administrative expenses" of approximately HK\$2,431,000, and
  - "Finance costs" of approximately HK\$83,000 related to the EE Group rented certain of its office premises from the Easyknit Group;
- (ii) reversal of:
- "Other income, gains and losses" of approximately HK\$2,070,000,
  - "Loss on changes in fair value of financial assets at FVTPL" of approximately HK\$10,049,000,
  - "Taxation" of approximately HK\$1,174,000, and
  - "Finance costs" of approximately HK\$9,183,000 related to the Easyknit Group subscribed for Goodco Convertible Notes; and

(iii) reversal of:

- “Share of results of associates” of approximately HK\$55,676,000,
- “Loss on deemed partial disposal of equity interests in associates” of approximately HK\$130,957,000,
- “Gain on bargain purchase of additional interests in associates” of approximately HK\$200,462,000,
- “Share of translation reserve of associates” of approximately HK\$7,965,000,
- “Share of FVTOCI reserve of associates” of approximately HK\$985,000,
- “Reclassification of translation reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence” of approximately HK\$1,350,000, and
- “Reclassification of debt instruments at FVTOCI reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence” of approximately HK\$36,000 related to the adjustment on interests in associates held by the Easyknit Group.

6. The Easyknit Group intends that EE will remain listed on the Stock Exchange. The EE Directors will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the EE Shares in the event that the Offeror and parties acting in concert with it acquire more than 75% of the issued EE Shares under the Share Offer.

For pro forma purpose, it is assumed that, upon closing of the Share Offer, the Easyknit Group will own 100% of the EE Shares in issue. It is further assumed that 25% of the issued EE Shares will be disposed by the Easyknit Group in order to maintain sufficient public float of EE. The adjustment represents loss and total comprehensive expense for the year ended 31 March 2020 attributable to the 25% of EE’s non-controlling interest. The details of the calculation are set out as follows:

	<i>HK\$’000</i>
Loss for the year of the EE Group	(206,192)
Other comprehensive expense for the year	(35,380)
	<u>                    </u>
Total comprehensive expense for the year	(241,572)
	<u>                    </u>
Proportion of non-controlling interest in the EE Group	25%
Loss for the year attributable to non-controlling interest	(51,548)
	<u>                    </u>
Total comprehensive expense for the year attributable to non-controlling interest	(60,393)
	<u>                    </u>

7. The adjustment represents that the Easyknit Group intends to finance the total consideration of approximately HK\$349,623,000 payable under the Share Offer through debt financing obtained by the Easyknit Group and the interest expenses of approximately HK\$12,237,000 incurred during the year ended 31 March 2020. The secured bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.85%.
8. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,789,000.
9. All the adjustments have no continuing effect except for Note 7 above.
10. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2020.

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF STATEMENT OF CASH  
FLOWS OF THE ENLARGED GROUP

	Easyknit Group year ended 31 March 2020 HK\$'000 (Audited) Note 1	HK\$'000 Note 2	HK\$'000 Note 3	Pro forma adjustments				HK\$'000 Note 8	Unaudited Pro forma for the Enlarged Group HK\$'000 (Unaudited)
				HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7		
Cash flows from operating activities									
(Loss)/profit before taxation	(298,936)	(628,047)	(209,657)	2,327,217	2,931	(12,237)	-	(1,789)	1,179,482
Adjustments for:									
Interest income	(32,682)	-	(2,885)	-	2,070	-	-	-	(33,497)
Interest expense	23,622	-	31,578	-	(9,266)	12,237	-	-	58,171
Interest income from debt instruments at fair value through other comprehensive income	-	-	(2,416)	-	-	-	-	-	(2,416)
Depreciation of property, plant and equipment	4,656	-	1,289	-	-	-	-	-	5,945
Depreciation of right-of-use assets	1,266	-	2,431	-	(2,431)	-	-	-	1,266
Dividend income from listed investments	(2,282)	-	(1,741)	-	-	-	-	-	(4,023)
Net loss on modification of terms of convertible note	-	-	37,526	-	-	-	-	-	37,526
Loss on write-off/disposal of property, plant and equipment	-	-	306	-	-	-	-	-	306
Loss on changes in fair value of investment properties	196,888	-	66,623	-	-	-	-	-	263,511
Write-down on properties held for sale	578	-	-	-	-	-	-	-	578
Write-down on properties held for development for sale	28,573	-	134,309	-	-	-	-	-	162,882
Loss on changes in fair value of financial assets at FVTPL	28,824	-	20,429	-	(10,049)	-	-	-	39,204
Release on disposal of debt instruments at FVTOCI	(1,051)	-	969	-	-	-	-	-	(82)
Impairment loss on debt instruments at FVTOCI	126	-	456	-	-	-	-	-	582
Impairment loss on other receivables	1,819	-	-	-	-	-	-	-	1,819
Impairment loss on other debt instruments at amortised cost	4,353	-	-	-	-	-	-	-	4,353
Impairment loss on loans receivable, net	29,256	-	6,581	-	-	-	-	-	35,837
Gain on disposal of subsidiaries	-	-	(57,511)	-	-	-	-	-	(57,511)
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	-	-	-	-
Loss on remeasurement of previously held interest in Eminence on acquiring control	-	628,047	-	-	-	-	-	-	628,047
Gain on bargain purchase of Eminence Group	-	-	-	(2,327,217)	-	-	-	-	(2,327,217)
Share of results of a joint venture	1,678	-	-	-	-	-	-	-	1,678
Effect of unrealised exchange difference	1,338	-	-	-	-	-	-	-	1,338

**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	Easyknit Group							Unaudited Pro forma for the Enlarged Group HK\$'000 (Unaudited)	
	year ended 31 March 2020								
	HK\$'000 (Audited) Note 1	HK\$'000 Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 8		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	
Operating cash flows before movements in working capital	(25,803)	-	28,287	-	(2,916)	-	-	(1,789)	(2,221)
Increase in properties held for development for sale	(57,245)	-	(315,962)	-	-	-	-	-	(373,207)
Decrease in financial assets at FVTPL	64,967	-	(3,559)	-	-	-	-	-	61,408
Decrease in trade and other receivables	77,470	-	(69,953)	-	-	-	-	-	7,517
Increase in loans receivable	(74,275)	-	(2,022)	-	-	-	-	-	(76,297)
Decrease in trade and other payables	(4,995)	-	(14,010)	-	-	-	-	-	(19,005)
Cash used in operations	(19,881)	-	(377,219)	-	(2,916)	-	-	(1,789)	(401,805)
Income tax paid	(2,117)	-	(2,077)	-	-	-	-	-	(4,194)
Dividend received	3,319	-	1,741	-	-	-	-	-	5,060
Interest received from loan financing	23,487	-	-	-	-	-	-	-	23,487
Net cash generated from/(used in) operating activities	4,808	-	(377,555)	-	(2,916)	-	-	(1,789)	(377,452)
Cash flows from investing activities									
Acquisition of financial assets at FVTPL	(116,001)	-	(131,056)	-	70,000	-	-	-	(177,057)
Acquisition of additional interest of associates	(110,769)	-	-	-	110,769	-	-	-	-
Acquisition of other debt instrument at amortised cost	(16,015)	-	-	-	-	-	-	-	(16,015)
Purchase of debt instruments at fair value through other comprehensive income	-	-	(38,206)	-	-	-	-	-	(38,206)
Additions of investment properties	(3,128)	-	(6,378)	-	-	-	-	-	(9,506)
Purchase of property, plant and equipment	(32)	-	(4,664)	-	-	-	-	-	(4,696)
Proceeds from disposal of financial assets at FVTPL	43,564	-	147,061	-	-	-	-	-	190,625
Proceeds from redemption of debt instruments at FVTOCI	16,040	-	11,830	-	-	-	-	-	27,870
Withdrawal of bank deposits with original maturity of more than three months	-	-	12,763	-	-	-	-	-	12,763
Deposits received for disposal of other debt instrument at amortised cost	15,480	-	-	-	-	-	-	-	15,480
Other interest received	14,318	-	9,286	-	(2,070)	-	-	-	21,534
Net cash inflow on disposal of a subsidiary	-	-	360,997	-	-	-	-	-	360,997
Proceeds from the disposal of 25% EE Shares	-	-	-	-	-	-	116,432	-	116,432
Net cash inflow on acquisition of properties held for development for sale through acquisition of subsidiaries	-	-	(500,828)	-	-	-	-	-	(500,828)
Net cash outflow on acquisition of Eminence Group	-	-	-	(208,041)	-	-	-	-	(208,041)
Net cash used in investing activities	(156,543)	-	(139,195)	(208,041)	178,699	-	116,432	-	(208,648)

## APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	Easyknit Group							Unaudited Pro forma for the Enlarged Group (Unaudited)
	year ended 31 March 2020							
	HK\$'000 (Audited) Note 1	HK\$'000 Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 8	
			HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000	
Cash flows from financing activities								
Bank borrowings raised	257,803	-	585,240	-	-	349,623	-	1,192,666
Advance from a non-controlling shareholder	6,939	-	-	-	-	-	-	6,939
Repayment of bank borrowings	(115,966)	-	(228,101)	-	-	-	-	(344,067)
Interest paid	(47,284)	-	(46,248)	-	2,069	(12,237)	-	(103,700)
Repayment to a non-controlling shareholder	(17,600)	-	-	-	-	-	-	(17,600)
Dividend paid	(4,566)	-	-	-	-	-	-	(4,566)
Repayment of lease liabilities	(1,236)	-	(2,413)	-	2,413	-	-	(1,236)
Interest paid on lease liabilities	(105)	-	(83)	-	83	-	-	(105)
Proceeds from rights issue of shares	-	-	359,915	-	(359,915)	-	-	-
Transaction costs attributable to rights issue of shares	-	-	(4,336)	-	4,336	-	-	-
Proceeds from issue of convertible notes	-	-	70,000	-	(70,000)	-	-	-
Net cash generated from financing activities	77,985	-	733,974	-	(421,014)	337,386	-	728,331
Net increase/(decrease) in cash and cash equivalents	(73,750)	-	217,224	(208,041)	(245,231)	337,386	116,432	142,231
Cash and cash equivalents at beginning of the year	191,670	-	-	-	-	-	-	191,670
Effect of foreign exchange rate changes	-	-	(1,039)	-	-	-	-	(1,039)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	117,920	-	216,185	(208,041)	(245,231)	337,386	(1,789)	332,862

## Notes to the unaudited pro forma consolidated statement of cash flows:

1. The figures are extracted from the audited consolidated statement of cash flows of the Easykmit Group for the year ended 31 March 2020 as set out in the published annual report of Easykmit for the year ended 31 March 2020.
2. As at 1 April 2019, 24.93% of the EE Shares in issue was held by Easykmit Group and recorded the interests as “Interests in associates”. The carrying amount of “Interests in associates” as at 1 April 2019 was HK\$671,921,000 as extracted from the audited consolidated statement of financial position of the Easykmit Group as at 1 April 2019. The adjustment represents the remeasurement of the carrying amount of “Interests in associates” based on the quoted market bid prices available on the Stock Exchange as at 1 April 2019 as the fair value of each EE Share held by the Easykmit Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer. Fair value of 24.93% of the EE Shares in issue held as at 1 April 2019 would have been approximately HK\$46,578,000. Accordingly, a loss on remeasurement of 24.93% of the EE Shares in issue held by the Easykmit Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer of approximately HK\$628,047,000 would be recognised in profit or loss, which included release of negative translation reserve and positive debt instruments at FVTOCI reserve amounting to approximately HK\$2,893,000 and HK\$189,000 respectively.
3. The adjustment represents the inclusion of cash flows of the EE Group for the year ended 31 March 2020, assuming that the Easykmit Group owned 100% of the EE Shares in issue upon closing of the Share Offer had taken place on 1 April 2019. The financial information of the EE Group is extracted from the audited consolidated statement of cash flows of the EE Group for the year ended 31 March 2020 as set out in the published annual report of EE for the year ended 31 March 2020.
4. For pro forma purpose, it is assumed that, upon completion of the Share Offer, the Easykmit Group will own 100% of the EE Shares in issue. The consideration of approximately HK\$349,623,000 for 75.07% (all of the issued EE Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) of the issued EE Shares will be settled by cash and debt financing obtained by the Easykmit Group and the EE Shares to be acquired by the Offeror under the Share Offer will be pledged to the bank as charge securities for the relevant debt financing (See Note 6 below). As the Easykmit Group increases its ownership interest in the EE Group and obtained control of the EE Group after the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer, the difference between the amount by which
  - (i) the consideration paid for 75.07% of the issued EE Shares under the Share Offer;
  - (ii) difference between the amount of Goodco Convertible Notes recorded in the Easykmit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in “Financial assets at FVTPL” as extracted from the audited consolidated statement of financial position of the Easykmit Group as at 1 April 2019 and (ii) “Convertible notes” subscribed by the Easykmit Group and “Deferred taxation” recognised for Goodco Convertible Notes as extracted the audited consolidated statement of financial position of the EE Group as at 1 April 2019);
  - (iii) the fair value of 24.93% of the EE Shares in issue held as at 1 April 2019 (see Note 2 above); and



- (iv) the fair value of net identifiable assets of the EE Group as soon as the Pre-Condition and Conditions are satisfied and upon closing of the Share Offer (assumed to be the net assets attributable to owners of EE as at 1 April 2019 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019),

is recognised as gain on a bargain purchase in profit or loss. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
(i) Consideration paid for 75.07% of EE Shares in issue acquired under the Share Offer (HK\$0.50 x 699,245,528 EE Shares)	349,623
(ii) Difference between the amount of Goodco Convertible Notes recorded in the Easyknit Group and EE Group (assumed to be the difference between (i) the carrying amount of convertible notes in “Financial assets at FVTPL” of approximately HK\$28,033,000 as extracted from the audited consolidated statement of financial position of the Easyknit Group as at 1 April 2019 and (ii) “Convertible notes” for Goodco Convertible Notes of approximately HK\$15,347,000 and “Deferred taxation” recognised for Goodco Convertible Notes of approximately HK\$1,934,000 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019)	10,752
(iii) Fair value of 24.93% of the EE Shares in issue held as at 1 April 2019 (see Note 2 above)	46,578
	406,953
Sub-total	406,953
Less:	
(iv) Fair value of net identifiable assets of the EE Group as at 1 April 2019 (assumed to be the net assets attributable to owners of EE as at 1 April 2019 of approximately HK\$2,734,170,000 as extracted from the audited consolidated statement of financial position of the EE Group as at 1 April 2019)	(2,734,170)
	(2,327,217)
Gain on a bargain purchase recognised in profit or loss	(2,327,217)

The net cash outflow as presented in unaudited pro forma consolidated statement of cash flows of approximately HK\$208,041,000 includes (i) bank balances and cash acquired of approximately HK\$141,582,000 and (ii) cash payment of approximately HK\$349,623,000 payable under the Share Offer.

5. The adjustment represents:

- (i) reversal of:
- “Interest expense” of approximately HK\$83,000,
  - “Depreciation of right-of-use assets” of approximately HK\$2,431,000,
  - “Repayment of lease liabilities” of approximately HK\$2,413,000, and
  - “Interest paid on lease liabilities” of approximately HK\$83,000 related to the EE Group rented certain of its office premises from the Easyknit Group;

- (ii) elimination of:
- “Interest income” of approximately HK\$2,070,000,
  - “Interest expense” of approximately HK\$9,183,000,
  - “Loss on changes in fair value of financial assets at FVTPL” of approximately HK\$10,049,000,
  - “Acquisition of financial assets at FVTPL” of approximately HK\$70,000,000,
  - “Other interest received” of approximately HK\$2,070,000,
  - “Interest paid” of approximately HK\$2,069,000, and
  - “Proceeds from issue of convertible notes” of approximately HK\$70,000,000 related to the Easyknit Group subscribed for Goodco Convertible Notes;
- (iii) reversal of:
- “Share of results of associates” of approximately HK\$55,676,000,
  - “Loss on deemed partial disposal of equity interests in associates” of approximately HK\$130,957,000,
  - “Gain on bargain purchase of additional interests in associates” of approximately HK\$200,462,000, and
  - “Acquisition of additional interest of associates” of approximately HK\$110,769,000 related to the adjustment on interests in associates held by the Easyknit Group; and
- (iv) reversal of
- “Proceeds from rights issue of shares” of approximately HK\$359,915,000,
  - “Transaction cost attributable to right issue of shares” of approximately HK\$4,336,000 related to the rights issue of EE Shares subscribed by the Easyknit Group.
6. The adjustment represents that the Easyknit Group intends to finance the total consideration of approximately HK\$349,623,000 payable under the Share Offer through debt financing obtained by the Easyknit Group and the interest expenses of approximately HK\$12,237,000 incurred during the year ended 31 March 2020. The secured bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.85%.
7. The Easyknit Group intends that EE will remain listed on the Stock Exchange. The EE Directors will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the EE Shares in the event that the Easyknit Group and parties acting in concert with it acquire more than 75% of the issued EE Shares under the Share Offer.
- For pro forma purpose, it is assumed that, upon closing of the Share Offer, the Easyknit Group will own 100% of the EE Shares in issue. It is further assumed that 25% of the issued EE Shares will be disposed of by the Easyknit Group in order to maintain sufficient public float of EE. The number of EE Shares to be disposed is assumed to be 232,864,503 (being 25% of the total of 931,458,010 EE Shares in issue). Assuming the EE Shares will be disposed at HK\$0.50 each, the consideration received will be approximately HK\$116,432,000.
8. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,789,000.
9. All the adjustments have no continuing effect except for Note 6 above.
10. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2020.

**D. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.*



4 March 2021

The Board of Directors  
Easyknit International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit International Holdings Limited (the “**Easyknit**”) and its subsidiaries (hereinafter collectively referred to as the “**Easyknit Group**”) by the directors of the Easyknit for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020 and related notes as set out on pages IV-1 to IV-18 of the circular dated 4 March 2021 issued by Easyknit. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page IV-1 of the circular.

The pro forma financial information has been compiled by the directors to illustrate the effect if the Offeror acquires all the issued Eminence Enterprise Limited (“**EE**”) Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) through the Share Offer and EE becomes a subsidiary of Easyknit (the “**Transaction**”) on the Easyknit Group’s financial position as at 30 September 2020 and on the Easyknit Group’s financial performance and cash flows for the year ended 31 March 2020 as if the Transaction had been taken place at 30 September 2020 and 1 April 2019 respectively. As part of this process, information about the Easyknit Group’s financial position has been extracted by the directors from the Easyknit Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2020, on which no review report has been published; and information about the financial performance and cash flows has been extracted by the directors from the Easyknit Group’s audited consolidated financial statements for the year ended 31 March 2020, on which an auditor’s report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 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 (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains 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 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

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

The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Easyknit Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2020 and 1 April 2019 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Easyknit Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**ZHONGHUI ANDA CPA Limited**  
*Certified Public Accountants*  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Easyknit 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 Easyknit. The Easyknit 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 BY DIRECTORS AND CHIEF EXECUTIVE IN EASYKNIT

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

### (i) Interests in Easyknit

Name of Easyknit Director	Capacity	Number of Easyknit Shares held	Approximate percentage of the issued share capital of Easyknit
Ms. Lui Yuk Chu	Interest of controlled corporation <sup>1</sup>	17,429,664	19.09%
Ms. Koon Ho Yan Candy	Beneficiary of a trust <sup>2</sup>	29,179,480	31.95%

*Notes:*

- 17,429,664 Easyknit Shares are owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu, an executive director of Easyknit.
- 29,179,480 Easyknit Shares are registered in the name of and are beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as 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 of Easyknit, but excluding Ms. Lui Yuk Chu and her spouse). As a result, Ms. Koon Ho Yan Candy is deemed to be interested in the Easyknit 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 Easyknit Directors or the chief executive of Easyknit had any interests or short positions in the Easyknit Shares, underlying Easyknit Shares and/or debentures of the Easyknit and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Easyknit and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Easyknit Director or chief executive of Easyknit was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to Easyknit and the Stock Exchange.

### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS OF EASYKNIT

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

#### Long positions in the Easyknit Shares and underlying shares of Easyknit

Name of shareholder	Capacity	Number of Easyknit Shares held (long position)	Approximate percentage of the issued share capital of Easyknit
Mr. Koon Wing Yee <sup>1, 3</sup>	Interest of spouse	17,429,664	19.09%
Sea Rejoice Limited <sup>1</sup>	Beneficial owner	17,429,664	19.09%
Magical Profits Limited <sup>2</sup>	Beneficial owner	29,179,480	31.95%
Accumulate More Profits Limited <sup>2</sup>	Interest of controlled corporation	29,179,480	31.95%
Winterbotham Trust <sup>2</sup>	Trustee	29,179,480	31.95%

Name of shareholder	Capacity	Number of Easyknit Shares held (long position)	Approximate percentage of the issued share capital of Easyknit
Winterbotham Holdings Limited (“Winterbotham Holdings”) <sup>2</sup>	Interest of controlled corporation	29,179,480	31.95%
Mr. Christopher Geoffrey Douglas Hooper <sup>2</sup>	Interest of controlled corporation	29,179,480	31.95%

*Notes:*

1. 17,429,664 Easyknit Shares are held by Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, an executive Director.
2. 29,179,480 Easyknit Shares are held by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the trustee of the Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy, an executive director of Easyknit). The Winterbotham Trust is owned as to 75% by Winterbotham Holdings. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper.
3. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 17,429,664 Easyknit Shares by virtue of the SFO.

Ms. Lui Yuk Chu, a Easyknit 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 Easyknit Director was also a director or an employee of the substantial shareholders of Easyknit.

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

#### 4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Easyknit Directors had any existing and proposed service contract with any members of the Easyknit Group other than contracts expiring or determinable by the relevant member of the Easyknit Group within one year without payment of compensation (other than statutory compensation).



## 5. COMPETING INTERESTS

<b>Name of Easyknit Director</b>	<b>Name of company</b>	<b>Nature of competing business</b>	<b>Nature of interest</b>
Ms. Lui Yuk Chu	EE	Property investment, property development, securities investment and loan financing	Director of EE
Ms. Koon Ho Yan Candy	EE	Property investment, property development, securities investment and loan financing	Senior adviser

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 Easyknit Group as required to be disclosed pursuant to the Listing Rules.

## 6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

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

As at the Latest Practicable Date, none of the Easyknit Directors had any direct or indirect interest in any assets which had been since 31 March 2020 (being the date to which the latest published audited financial statements of Easyknit were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 7. LITIGATION

As at the Latest Practicable Date, neither Easyknit nor any of their respective subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Easyknit Directors to be pending or threatened against any member of the Enlarged Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Easyknit Group within two years immediately preceding the date of this circular which are or may be material:

- (a) a subscription agreement dated 17 June 2019 entered into between Goodco, as subscriber, and EE, as issuer, in relation to a 3% per annum coupon rate convertible bond in the principal amount of HK\$70,000,000 issued by EE at the initial conversion price of HK\$0.055 per conversion share;
- (b) a co-lending agreement dated 18 June 2019 entered into between Planetec International Limited (“**Planetec**”), an indirect wholly-owned subsidiary of Easyknit, STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which Planetec, 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 Planetec is HK\$45,000,000;
- (c) conditional irrevocable undertakings dated 4 November 2019 provided by Landmark Profits and Goodco respectively, both of which are wholly-owned subsidiaries of Easyknit, to EE 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 EE under a rights issue;
- (d) a tripartite agreement dated 20 February 2020 entered into between Charming Flash Limited (a wholly-owned subsidiary of Easyknit), as transferor, Green Heyday Limited, as transferee, and Golden Glow Limited (“**Golden Glow**”), as issuer, in relation to the sale and purchase of the junior notes issued by the Golden Glow in the amount of US\$4,500,000, for a total of transfer consideration of US\$4,700,000; and
- (e) three deeds of amendment each dated 18 September 2020 entered into between EE as the issuer and Goodco as the noteholder in relation to the proposed alteration of certain terms of the three (3) convertible notes issued by EE to Goodco on 11 May 2017, 26 September 2017 and 28 August 2019 respectively.

## 9. CORPORATE INFORMATION OF THE EASYKNIT GROUP

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Principal place of business in Hong Kong</b>	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company secretary</b>	Lee Po Wing <i>Practising solicitor</i>

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

## 10. EXPERTS

The names and qualifications of the professional advisers who have been named in this circular or given an opinion or advice which are contained in this circular are set forth below:

<b>Name</b>	<b>Qualification</b>
Zhonghui Anda CPA Limited	Certified public accountants

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated accounts of Easyknit were made up), acquired or disposed of by or leased to any member of the Easyknit Group, or are proposed to be acquired or disposed of by or leased to any member of the Easyknit Group; and
- (b) any shareholding in any member of the Easyknit 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 Easyknit Group.

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and the references to their name in the forms and context in which they appear.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

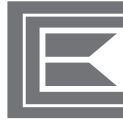
Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business in Hong Kong of Easyknit at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for 14 days from the date of this circular, and at the Easyknit SGM:

- (a) the memorandum of association and bye-laws of Easyknit;
- (b) the annual reports of Easyknit containing audited consolidated financial statements of Easyknit for the three (3) years ended 30 March 2018, 2019 and 2020;
- (c) the material contracts referred to in the paragraph headed “Material contracts” of this appendix;
- (d) the letter from Zhonghui Anda CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- (e) the letter of consent referred to in the paragraph headed “Experts” in this appendix;
- (f) a copy of each circular issued by Easyknit since 31 March 2020 pursuant to the requirements of Chapters 14 and/or 14A of the Listing Rules, including this circular.

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# NOTICE OF THE EASYKNIT SGM

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## EASYKNIT INTERNATIONAL HOLDINGS LIMITED

### 永義國際集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of Easyknit International Holdings Limited (永義國際集團有限公司) (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, 19 March 2021 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will proposed with or without amendment as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT:**

- (a) the making of the Share Offer by Altus Investments on behalf of the Offeror to the EE Shareholders (as more particularly described in the circular of Easyknit dated 4 March 2021), all actions taken (or to be taken) by Easyknit or any of its subsidiaries in relation thereto and all other matters contemplated thereunder be and are hereby approved; and
- (b) the directors of Easyknit be and are hereby authorised for and on behalf of Easyknit and in its name 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 Share Offer and the transactions contemplated thereunder and to agree to such variations of the terms of the Share Offer as they may in their absolute discretion consider necessary or desirable.

Terms defined in the circular of the Company to its shareholders dated 4 March 2021 are used in this resolution with those defined meanings.”

Yours faithfully,

By order of the board of directors of  
**Easyknit International Holdings Limited**  
**Koon Ho Yan Candy**  
*President and Chief Executive Officer*

Hong Kong, 4 March 2021

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## NOTICE OF THE EASYKNIT SGM

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*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 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 holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company any in respect of the joint holding.
7. For the purpose of determining shareholders' eligibility to attend and vote at the meeting, the register of members will be closed from Tuesday, 16 March 2021 to Friday, 19 March 2021, both days inclusive, during which period, no transfers of shares in the Company 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 Monday, 15 March 2021.

*The Board of the Company 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.*

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## NOTICE OF THE EASYKNIT SGM

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### PERSONAL INFORMATION COLLECTION STATEMENT

- (1) “Personal Data” in this statement has the same meaning as “personal data” in the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**PDPO**”).
- (2) Your supply of personal data to Easyknit is on a voluntary basis and such data will be used for processing your instructions as stated in this blue proxy form.
- (3) Your personal data will not be transferred to any third parties (other than the Share Registrar) unless it is a requirement to do so by law, for example, in response to a court order or a law enforcement agency’s request and will be retained for such period as may be necessary for verification and record purposes.
- (4) You and your appointed proxy have the right to request access to and/or correct your respective personal data in accordance with the provisions of the PDPO. Any such request should be in writing addressed to the Personal Data Privacy Officer of Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

In case of any inconsistency, the English version of the proxy form shall prevail over the Chinese version.