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

If you have sold or transferred all your shares in Easyknit International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED****永義國際集團有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 1218)****VERY SUBSTANTIAL ACQUISITION
PROPERTIES ON CHATHAM ROAD NORTH, KOWLOON
AND
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 5 to 10 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Friday, 13 July 2018 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A proxy form for use at the SGM is enclosed. Whether or not they are able to attend the SGM, shareholders are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the SGM or any adjournment thereof should they so wish.

25 June 2018

* for identification purpose only

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DEFINITIONS

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

- “Acquisition” the proposed acquisition by the Buyer of the Sale Shares and the Shareholder Loan and, through Target, the Properties on and subject to the terms and conditions of the Target Agreement and the Properties Purchase Agreements
- “Buildings”
1. all those 100% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Section D of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 470 Chatham Road North, Kowloon, Hong Kong
 2. all those 83.33% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Remaining Portion of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 472 Chatham Road North, Kowloon, Hong Kong
 3. all those 83.33% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Sub-section 3 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 474 Chatham Road North, Kowloon, Hong Kong
 4. all those 85.71% of the equal undivided shares in all those pieces or ground registered in the Land Registry as The Remaining Portion of Sub-section 1 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 476 Chatham Road North, Kowloon, Hong Kong
 5. all those 82.14% of the equal undivided shares in all those pieces or ground registered in the Land Registry as The Remaining Portion of Sub-section 1 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 478 Chatham Road North, Kowloon, Hong Kong

DEFINITIONS

“Buyer”	Eternal Ridge Limited, a company incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Company”	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 of the Stock Exchange
“Consideration”	the total aggregate consideration for the purchase of the Sale Shares and the Shareholder’s Loan, being HK\$154,712,615, subject to adjustment
“Directors”	the directors of the Company
“ELN”	equity linked note, a form of financial instrument
“ETF”	exchange traded fund
“Enlarged Group”	the Group immediately after Target Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and of its connected persons (as “connected person” defined in the Listing Rules) of the Company
“Latest Practicable Date”	20 June 2018 being the latest practicable date prior to printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance

DEFINITIONS

“Properties”

the following properties:

No. 470 Chatham Road North, Kowloon

- G/F & Cockloft
- 1/F
- 2/F
- 3/F

No. 472 Chatham Road North, Kowloon

- G/F
- 1/F
- 2/F
- 3/F
- 5/F

No. 474 Chatham Road North, Kowloon

- G/F
- Portion A on 1/F
- Portion B on 1/F
- Portion C on 1/F
- Portion D on 1/F
- 3/F
- 4/F
- 5/F

No. 476 Chatham Road North, Kowloon

- G/F
- 2/F
- 3/F
- 4/F
- 5/F
- 6/F

No. 478 Chatham Road North, Kowloon

- G/F
- Front Portion of 1/F
- Rear Portion of 1/F
- Flat A of Front Portion on 2/F
- Flat B of Front Portion on 2/F
- Rear Portion of 2/F
- Rear Portion of 3/F
- Front Portion of 4/F
- Rear Portion of 4/F
- Front Portion of 5/F
- Rear Portion of 5/F
- Rear Portion of 6/F

DEFINITIONS

“Properties Completion”	completion of the acquisition of the Properties under the Properties Purchase Agreements
“Properties Completion Date”	on or before 31 July 2018, 5:00 p.m.
“Properties Purchase Agreements”	contracts, each dated 30 April 2018, each between the Target and one or more of the Properties Vendors and each in respect of the purchase by the Target of one of the Properties
“Properties Vendors”	the persons, all being individuals, who have entered into the Properties Purchase Agreements with the Target
“Sale Shares”	the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Acquisition, notice of which is set out on pages N-1 to N-2 of this circular
“Shareholders”	holders of ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder Loan”	an interest-free debt of HK\$123,666,747 at the date hereof owed by the Target to the Target Seller
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Success Active Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Agreement”	a conditional sale and purchase agreement dated 16 May 2018 entered into between the Buyer and the Target Seller for the sale and purchase of the Sale Shares and the Shareholder Loan
“Target Agreement Completion Date”	27 July 2018 or such other date as the Target Seller and the Buyer may agree in writing
“Target Completion”	completion of the sale and purchase of the Sale Shares
“Target Seller”	Mr. Ng Kwai Tung, an individual and an Independent Third Party

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

Mr. Tse Wing Chiu Ricky
(President and Chief Executive Officer)
Ms. Lui Yuk Chu
(Vice President)
Ms. Koon Ho Yan Candy

Independent Non-executive Directors:

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

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

25 June 2018

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
PROPERTIES ON CHATHAM ROAD NORTH, KOWLOON
AND
NOTICE OF SPECIAL GENERAL MEETING**

On 16 May 2018 the Company announced amongst other things, the Acquisition of the Buildings, which is a 'very substantial acquisition' for the Company under the Listing Rules. The purpose of this circular is to provide you with further information about the Acquisition and give you notice of the SGM.

INTRODUCTION

The Buildings were completed in the 1950s and are erected on a site with an aggregate registered site area of approximately 4,685 square feet.

* for identification purpose only

LETTER FROM THE BOARD

On 16 May, 2018, the Buyer, a wholly-owned subsidiary of the Company, as buyer, entered into the Target Agreement with the Target Seller, pursuant to which amongst other things, the Buyer conditionally agreed to buy, and the Target Seller agreed to sell, the Sale Shares and the Shareholder Loan at the Consideration. The sole assets of the Target are the Properties Purchase Agreements which commit it to buying the Properties.

THE TARGET AGREEMENT

Date : 16 May 2018

Buyer : Eternal Ridge Limited

Target Seller : Ng Kwai Tung, an individual

Assets to be acquired

Pursuant to the Target Agreement, amongst other things, the Buyer has conditionally agreed to purchase the Sale Shares and the Shareholder Loan from the Target Seller. The Target has contracted to buy the Properties as described in the section headed “The Properties Purchase Agreements/Buildings” below.

Conditions precedent

Completion of the Target Agreement is conditional upon the fulfilment of the following conditions on or prior to the Target Agreement Completion Date:

1. the Target Agreement and the transactions contemplated by it being approved by the Shareholders and all necessary approvals being obtained in compliance with the Listing Rules;
2. no event having occurred which in the reasonable opinion of the Buyer could be construed as being capable of preventing completion of the Properties Purchase Agreements, or which could frustrate or make illegal or impossible the completion of the Properties Purchase Agreements or make any of them unenforceable;
3. a due diligence review being carried out on the Target by, and having been completed to the satisfaction of, the Buyer in its sole discretion;
4. title investigation on the Properties being carried out to the satisfaction of the Buyer; and
5. the Seller’s solicitors shall provide at least seven days before Target Completion a title report of the Properties

and in the event these conditions or any one thereof is not fulfilled or waived, all sums paid by the Buyer to the Seller under the Target Agreement shall be repaid to the Buyer within 5 business days of the Buyer’s request.

LETTER FROM THE BOARD

At the Latest Practicable Date none of the conditions have been satisfied.

Consideration

The Consideration for the sale and purchase of Sale Shares and the consideration for the assignment of Shareholder's Loan is payable by the Buyer to the Target Seller as follows:–

- (a) HK\$41,191,100 on or before 18 May 2018 or another time as may be agreed by the Buyer and Target Seller. This has been paid in full;
- (b) HK\$82,475,655 on or before 25 May 2018 or another time as shall be agreed by the Buyer and Target Seller. This has been paid in full;
- (c) HK\$31,045,860 being the balance of the Consideration is payable by the Buyer to the Target Seller upon Target Completion or another time as agreed by the parties.

The Consideration will be adjusted accordingly at Target Completion in the event the stamp duty payable for Unit G/F and Cockloft of 470 Chatham Road North shall be calculated on non-residential basis.

The Consideration was determined after arm's length negotiations between the Buyer and the Target Seller; taking into account the potential for acquisition of the remaining units in the Buildings under the Ordinance, and the redevelopment of the Buildings.

The Group will fund the acquisition of the Sale Shares and Shareholder Loan from internal resources and/or bank facilities.

THE PROPERTIES PURCHASE AGREEMENTS/BUILDINGS

The sole material assets of the Target are the Properties Purchase Agreements pursuant to which the Target has agreed to buy the Properties, which constitute over 80% of the undivided shares in each of the Buildings. Its sole material liabilities are the sums remaining payable to the Properties Vendors under the Properties Purchase Agreements. The sums remaining payable under the Properties Purchase Agreements at Properties Completion will be the then unpaid balance of the purchase price thereunder being HK\$303,762,900 in aggregate and will become liabilities of the Group on Target Completion. The total consideration for the Group to acquire the Target, the Shareholders Loan and, after Target Completion, the Properties is HK\$458,475,515, subject to adjustment.

Properties Completion is scheduled to take place on the Properties Completion Date. The consideration payable under each of the Properties Purchase Agreements is payable in cash at Properties Completion and will be funded from internal resources of the Group and/or bank facilities.

The Directors do not currently intend to issue or propose an issue of new Shares to raise funds to finance the Acquisition.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's principal businesses are in property investment, property development, securities investment and loan financing business.

The Group currently holds various commercial, industrial and residential properties in Hong Kong, and acquisition of the Properties will enhance its property asset base.

After Properties Completion the Target will have a right, pursuant to section 3(1) of the Ordinance, to file an application with the Lands Tribunal for an order to sell all the undivided shares of the Buildings (including the Properties) for the purposes of redevelopment. If it is so minded the Lands Tribunal will issue an order for sale by way of auction and the Target will be entitled to bid in that auction and if it is successful will acquire those units in the Buildings that it does not then own. If and when the Company decides that the Target will file such an application with the Lands Tribunal the Company will at the appropriate time comply in full with the Listing Rules.

The Directors are of the view that the potential for redevelopment of the site on which the Buildings stand is good, and note that the current market value of the Properties on redevelopment estimated by Knight Frank is HK\$465,000,000 and the total consideration for the Group to acquire the Target, the Shareholders Loan and, after Target Completion, the Properties is HK\$458,475,515, subject to adjustment. They believe that the Hong Kong property market is sound. Accordingly, the Directors believe that the total Consideration and the sums payable under the Properties Purchase Agreements are in the interests of the Group and that the Target Agreement and the Properties Purchase Agreements are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ABOUT THE TARGET SELLER, THE PROPERTIES VENDORS AND THE BUYER

The Target Seller is an individual. The Properties Vendors are all individuals none of whom are known to the Company.

The Buyer is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Seller and each of the Properties Vendors is an Independent Third Party. Save for the Target Agreement, there are no arrangements between any member of the Group and the Target Seller or between any member of the Group and any of the Properties Vendors in relation to the Target Agreement or the Properties Purchase Agreements.

LETTER FROM THE BOARD

FINANCIAL INFORMATION ABOUT THE TARGET

The Target was incorporated on 3 January 2018 and has no material liabilities apart from those under the Properties Purchase Agreements and has not carried on any business other than entering into the Properties Purchase Agreements. It has never had any net profits (before and after taxation).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the percentage ratios applicable to the Acquisition under Chapter 14 of the Listing Rules exceed 100% and therefore the Acquisition is a very substantial acquisition and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Earnings

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the effect of the Acquisition is that the profit for the year will decrease by approximately HK\$0.7 million.

Assets and Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the effect of the Acquisition is that properties held for development for sale will increase by approximately HK\$390.0 million; trade and other receivables will increase by approximately HK\$68.6 million; bank balances and cash will decrease by approximately HK\$459.3 million.

SGM

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules, for which Shareholders' approval is required. At Latest Practicable Date, no Shareholder was required to abstain from voting on the approval of the Acquisition.

A notice convening the SGM, to be held on Friday, 13 July 2018 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 Acquisition is set out on pages N-1 to N-2 of this circular. Whether or not 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 the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the SGM, the register of members will be closed from Tuesday, 10 July to Friday, 13 July 2018, both days inclusive. During such period, no share transfers of the Company will be registered. In order to qualify to attend and vote at the SGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 9 July 2018.

RECOMMENDATION

The Board considers that the Acquisition is fair and reasonable and in the interest of the Company and Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Chief Executive Officer

1. FINANCIAL SUMMARY OF THE GROUP

Here below are the published annual reports and annual results announcement showing the financial information of the Group:

For the year ended	Announcement date of annual results	Pages
31 March 2018	25 May 2018	17 – 39

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0525/LTN20180525772.pdf>

For the year ended	Publication date of annual report	Pages
31 March 2017	29 June 2017	69 – 173

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0629/LTN20170629279.pdf>

31 March 2016	25 July 2016	60 – 161
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<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0725/LTN20160725123.pdf>

31 March 2015	22 July 2015	57 – 153
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<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0722/LTN20150722096.pdf>

2. WORKING CAPITAL

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

3. INDEBTEDNESS

As at 30 April 2018, the Group had outstanding bank borrowings of approximately HK\$1,170 million, which were guaranteed by the Company and were secured by certain properties of the Group. The bank borrowings are secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Group with carrying amounts of approximately HK\$76 million, HK\$1,649 million, HK\$795 million, HK\$110 million, HK\$11 million and HK\$47 million respectively at 30 April 2018.

Apart from as disclosed above and intra-group liabilities, the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at 30 April 2018.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the annual report of the Company for the year ended 31 March 2017, the Group will continue to focus its efforts on the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; and (4) loan financing services and other potential projects with a view to providing steady returns as well as fruitful growth for the Shareholders.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only shortlived. With the prevailing low interest rates and the record high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong. In view of favourable market sentiment, the Group will continue to promote the sale of the remaining units of Paxton and it expects the launch of the presale of its residential property development at the site of No. 6 La Salle Road, Kowloon, Hong Kong in late 2017.

In addition, the Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Group.

Meanwhile, the Group will also maintain a stringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Group's operations as well as for its existing and future investments.

The Directors believe that in such a volatile economic environment, these operation strategies will enable the Group to maintain its competitiveness and mitigate risks, thereby ensuring the Group's sustainable growth.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Company were made up, up to and including the Latest Practicable Date.

6. MANAGEMENT DISCUSSION AND ANALYSIS**Business Review**

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

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

Property Investment

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

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

Property Development

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

Investment in Securities

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

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

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

Held-for-trading investments

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

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

Available-for-sale investments

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

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

Notes:

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

Loan Financing

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

Financial Review

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

Revenue

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

Gross Profit/Margin

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

Profit/Loss before Taxation

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

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

Capital Structure

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

Charges of Assets

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

Exposure on Foreign Exchange Fluctuations

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

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

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

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

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

Disposal of Property

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

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

Contingent Liabilities

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

Capital Expenditure

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

Capital Commitments

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

Proposed Spin-Off

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

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

Event After Reporting Period*Placing*

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

Acquisition of properties

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

Joint Venture Development

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

Employees

As at 31 March 2018, the Group had 32 employees (2017: 35). Staff costs (including directors’ emoluments) amounted to HK\$24,164,000 for the year under review (2017: HK\$32,628,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong’s employees. The Group has a share option scheme to motivate employees.

Prospects

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

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

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

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

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



Suite F, 14th Floor
Neich Tower
128 Gloucester Road
Wanchai Hong Kong

25 June 2018

**The Board of Directors
Easyknit International Holdings Limited**

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

Dear Sirs,

INTRODUCTION

We report on the historical financial information of Success Active Limited (the “**Target Company**”) set out on pages II-4 to II-22, which comprises the statement of financial position as at 16 May 2018 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 3 January 2018 (date incorporation) to 16 May 2018 (the “**Relevant Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-22 forms an integral part of this report, which has been prepared for inclusion in the circular of Easyknit International Holdings Limited (the “**Company**”) dated 25 June 2018 (the “**Circular**”) in connection with the Company’s Very Substantial Acquisition of Properties on Chatham Road North, Kowloon.

DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The sole director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II to the Historical Financial Information, and for such internal control as the sole director determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 16 May 2018 and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note II to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-8 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Period.

No historical financial statements for the Target Company

As at the date of this report, no financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,

Cosmos CPA Limited

Certified Public Accountants

NG Lai Man Carmen

Practising Certificate Number P03518

Hong Kong

25 June 2018

I. HISTORICAL FINANCIAL INFORMATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period from 3 January 2018 (date of incorporation) to 16 May 2018

	<i>Notes</i>	<i>HK\$</i>
REVENUE	<i>7</i>	–
<i>Less:</i> Administrative expenses		–
Other operating expenses		–
Finance costs		–
		<hr/>
PROFIT/LOSS BEFORE TAX	<i>8</i>	–
Taxation	<i>10</i>	–
		<hr/>
NET PROFIT/LOSS FOR THE RELEVANT PERIOD		–
Other comprehensive income		–
		<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE RELEVANT PERIOD		–
		<hr/> <hr/>
BASIC PROFIT/LOSS PER SHARE	<i>11</i>	–
		<hr/> <hr/>

STATEMENT OF FINANCIAL POSITION

As at 16 May 2018

	<i>Notes</i>	<i>HK\$</i>
ASSETS AND LIABILITIES		
NON-CURRENT ASSET		
Deposits paid for investment properties		1,820,000
		<u>1,820,000</u>
CURRENT LIABILITY		
Amount due to the sole director/shareholder	<i>13</i>	<u>(1,819,992)</u>
NET CURRENT LIABILITIES		<u>(1,819,992)</u>
NET ASSETS		<u><u>8</u></u>
EQUITY		
Share capital	<i>14</i>	8
Retained earnings/accumulated losses		<u>–</u>
TOTAL EQUITY		<u><u>8</u></u>

STATEMENT OF CHANGES IN EQUITY

Period from 3 January 2018 (date of incorporation) to 16 May 2018

	Share capital <i>HK\$</i>	Retained earnings/ accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Issuance of one ordinary share of US\$1.00 – <i>Note 14</i>	8	–	8
Total comprehensive income for the Relevant Period	–	–	–
Balance at 16 May 2018	<u>8</u>	<u>–</u>	<u>8</u>

STATEMENT OF CASH FLOWS*Period from 3 January 2018 (date of incorporation) to 16 May 2018*

	<i>Notes</i>	<i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss before tax	8	–
Adjustment		–
		<hr/>
Operating profit/loss before movements in working capital and cash generated from/used in operations		–
Income tax paid		–
		<hr/>
NET CASH FROM/USED IN OPERATING ACTIVITIES		<hr/> –
CASH FLOWS FROM INVESTING ACTIVITY		
Deposits paid for investment properties		<hr/> (1,820,000)
NET CASH USED IN INVESTING ACTIVITY		<hr/> (1,820,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of one ordinary share		8
Advance from the sole director/shareholder		<hr/> 1,819,992
NET CASH FROM FINANCING ACTIVITIES		<hr/> 1,820,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE RELEVANT PERIOD		<hr/> –
CASH AND CASH EQUIVALENTS AT END OF THE RELEVANT PERIOD		<hr/> <hr/> –
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		<hr/> <hr/> –

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

Success Active Limited (the “**Target Company**”) is a private company incorporated in the British Virgin Islands with limited liability and its registered office is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. During the Relevant Period, the principal activity of the Target Company was property investment.

The sole member of the Target Company (the “**Seller**”) entered into an agreement with Eternal Ridge Limited (“**ERL**”, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Easyknit International Holdings Limited, the “**Company**”) on 16 May 2018, pursuant to which amongst other things, ERL conditionally agreed to buy, and the Seller agreed to sell, the entire issued share capital of the Target Company and a related shareholder loan at an aggregate consideration of HK\$154,712,615, subject to adjustment.

Upon completion of the purchase, ERL and the Company will respectively become the immediate and ultimate holding company of the Target Company.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**” or “**HKD**”), which is the same as the functional and presentation currency of the Target Company, and all values are rounded to the nearest dollar except when otherwise indicated.

2. Basis of preparation of Historical Financial Information

No statutory audited financial statements of the Target Company for the Relevant Period have been prepared as it was newly incorporated since 3 January 2018 and there are no statutory audit requirements under the relevant rules and regulations in the British Virgin Islands. The Historical Financial Information in this report was prepared based on management accounts of the Target Company for the Relevant Period. The sole director of the Target Company has prepared the financial statements (“**Underlying Financial Statements**”) for the Relevant Period in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

As the Company has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and for the coming twelve months from 16 May 2018, the sole director of the Target Company is confident that the Target Company will be able to meet its financial obligations when they fall due in foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. Application of new and revised Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Period, the Target Company has, throughout the Relevant Period, consistently adopted HKASs, HKFRSs, amendments and interpretations. The Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle ¹
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKAS 28	Long-term Investments in Associates and Joint Venture ²
Amendments to HKAS 40	Transfers of investment property ¹
HK(IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC)-Interpretation 23	Uncertainty over income tax treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Target Company is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

4. Significant accounting policies

The Historical Financial Information has been prepared under historical cost basis and in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622).

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Borrowing costs

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

Foreign currencies

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including amount due to the sole director/shareholder) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

Financial liabilities are derecognised when the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

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

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

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

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

Taxation

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

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

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

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

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

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

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

Leasing

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

The Target Company as lessor

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

Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

6. Capital management

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

The capital structure of the Target Company consists of net debts, which includes the amount due to the sole director/shareholder as disclosed in note 13 and equity attributable to owners of the Target Company.

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

Further, the existing shareholder of the Target Company and the Company confirmed their willingness to provide sufficient cash and equity support to meet the daily operation requirements to maintain the Target Company as a going concern for the coming twelve months from 16 May 2018.

Financial instruments

Categories of financial instruments

HK\$

Financial liabilities

Amortised cost

Amount due to the sole director/shareholder

1,819,992

Financial risk management objectives and policies

The Target Company's major financial instruments include the amount due to the sole director/shareholder. Details of this financial instrument are disclosed in note 13. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

The Target Company relies on the sole director/shareholder as a significant source of liquidity. The Company has agreed to continuously provide adequate funds for the Target Company to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the very substantial acquisition and to maintain the Target Company as a going concern for the coming twelve months from 16 May 2018, the sole director of the Target Company is confident that the Target Company will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

Fair value

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

The sole director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

7. Revenue

The Target Company has no turnover during the Relevant Period.

8. Profit/loss before tax

There are no supporting documents provided by the sole director/shareholder of the Target Company as to verify the quantum of formation expense and solicitors' fees incurred by the Target Company. The sole director/shareholder has agreed to absorb the abovementioned costs incurred during the Relevant Period and no separate disclosure was made for the above expenses.

9. Director's remuneration and five highest paid employees**(i) Director's remuneration**

No remuneration was paid to the Target Company's sole director during the Relevant Period and no remuneration was waived by the sole director during the Relevant Period.

(ii) Employees' remuneration

The Target Company has no employee, thus no remuneration was paid to any employees during the Relevant Period.

10. Taxation

No provision for taxation has been made as the Target Company had no revenue earned during the Relevant Period. No provision for deferred taxation has been made as the amount involved is insignificant.

11. Basic profit/loss per share

As only one ordinary share was in issue during the Relevant Period, the basic profit/loss per share is equal to the net profit/loss for the Relevant Period.

There were no potential dilutive shares in existence during the Relevant Period.

12. Dividends

No dividends have been paid by the Target Company in respect of the Relevant Period.

13. Amount due to the sole director/shareholder

The amount due to sole director/shareholder is unsecured and interest-free. As mentioned in note 16 on the Historical Financial Information, the loan is to be disposed to the new shareholder, the new shareholder and the sole director/shareholder confirmed not to demand payment within 12 months after the Relevant Period.

14. Share capital

16 May 2018

HK\$

Authorised:

50,000 ordinary shares of US\$1.00 each	390,000
	390,000

Issued and fully paid:

One ordinary share of US\$1.00 each	8
	8

The Target Company was incorporated on 3 January 2018 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. On 27 April 2018, one ordinary share of US\$1.00 was issued at par to the sole member to meet the initial capital requirement. Other than the above, there were no changes in the Target Company's authorised, issued, and fully paid share capital during the Relevant Period.

15. Capital commitments

During the Relevant Period, each on 30 April 2018, the Target Company entered into 35 provisional agreements for sale and purchase and 7 supplemental agreements (altogether the "**Property Purchase Agreements**") of the following units for properties ("**Properties**") situated at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (the "**Building**") with 41 different property vendors ("**Property Vendors**") at a total cash consideration of HK\$344,954,000.

- (a) No. 470 Chatham Road North, Kowloon
 - (i) Ground Floor and Cockloft
 - (ii) First Floor
 - (iii) Second Floor
 - (iv) Third Floor

- (b) No. 472 Chatham Road North, Kowloon
 - (i) Ground Floor
 - (ii) First Floor
 - (iii) Second Floor
 - (iv) Third Floor
 - (v) Fifth Floor

- (c) No. 474 Chatham Road North, Kowloon
 - (i) Ground Floor
 - (ii) Portion A on the First Floor
 - (iii) Portion B on the First Floor
 - (iv) Portion C on the First Floor
 - (v) Portion D on the First Floor
 - (vi) Third Floor
 - (vii) Fourth Floor
 - (viii) Fifth Floor

- (d) No. 476 Chatham Road North, Kowloon
 - (i) Ground Floor
 - (ii) Second Floor
 - (iii) Third Floor
 - (iv) Fourth Floor
 - (v) Fifth Floor
 - (vi) Sixth Floor

- (e) No. 478 Chatham Road North, Kowloon
 - (i) Ground Floor
 - (ii) Front Portion of the First Floor
 - (iii) Rear Portion of the First Floor
 - (iv) Flat-A of Front Portion on the Second Floor
 - (v) Flat-B of Front Portion on the Second Floor
 - (vi) Rear Portion of the Second Floor
 - (vii) Rear Portion of the Third Floor
 - (viii) Front Portion of the Fourth Floor
 - (ix) Rear Portion of the Fourth Floor
 - (x) Front Portion of the Fifth Floor
 - (xi) Rear Portion of the Fifth Floor
 - (xii) Rear Portion of the Sixth Floor

At the time of signing of the Property Purchase Agreements each on 30 April 2018, there were 34 tenancy agreements in force for:

- First Floor, No.470 Chatham Road North

- Ground Floor, First Floor, Second Floor, Third Floor and Fifth Floor, No.472 Chatham Road North

- Portion A and Portion B on the First Floor and Third Floor, No.474 Chatham Road North

- Ground Floor, and Third Floor, No.476 Chatham Road North

- Ground Floor, Front Portion of the First Floor, Flat-A of Front Portion on the Second Floor, Rear Portion of the Second Floor, Rear Portion of the Third Floor and Rear Portion of the Fourth Floor, No.478 Chatham Road North

Up to 18 May 2018, the Target Company has paid a total of HK\$41,191,100 as deposits and compensation for removal and decoration under the Property Purchase Agreements (representing approximately 11.94% of the total consideration under all the Property Purchase Agreements) to the Property Vendors and HK\$82,475,665 for stamp duty. Upon completion of the Property Purchase Agreements on or before 31 July 2018, the Target Company will have to pay the balance of the consideration in the sum of HK\$303,762,900 to the Property Vendors. Details of the subsequent settlements of the balance payment are detailed in note 18 on the Historical Financial Information.

According to the Property Purchase Agreements, the Target Company is not required to pay any commission fee to the property agents.

16. Sale share and sale loan agreement

The sole member of the Target Company entered into an agreement with ERL on 16 May 2018 to sell his entire share holding and entire loan in the Target Company to ERL at a total cash consideration of HK\$154,712,615, subject to adjustment.

17. Related party transactions

The Target Company had no other transactions with related parties during the Relevant Period.

18. Events after the Relevant Period

- (a) No audited financial statements have been prepared in respect of any period subsequent to 16 May 2018.
- (b) On 18 May 2018, the Target Company has paid a total of HK\$39,371,100, representing further deposits of HK\$31,688,100 and compensation for removal and decoration of HK\$7,683,000, under the Property Purchase Agreements. Total stamp duty of HK\$82,475,665 was paid on 30 May 2018. The Target Company is pending for the completion of the Property Purchase Agreements and payment to the Property Vendors of HK\$303,762,900, representing the balance of the purchase price for the Properties of HK\$300,762,900 and compensation for removal and decoration of HK\$3,000,000, on or before 31 July 2018.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP****Introduction**

The following is an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of the Enlarged Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed as of 31 March 2018 in the case of the unaudited pro forma consolidated statement of financial position, or 1 April 2017 in the case of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018, after making the pro forma adjustments relating to the Acquisition that are factually supportable and directly attributable, as explained in the notes below.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the (i) the consolidated statement of financial position as at 31 March 2018 had the Acquisition been completed as of 31 March 2018, and (ii) the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and consolidated statement of cash flows for the year ended 31 March 2018 had the Acquisition been completed as at 1 April 2017; or at any future dates.

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 31 March 2018	Pro forma adjustments					Pro forma total for the Enlarged Group	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
		(audited) Note 1	(audited) Note 2	Note 3	Note 4	Note 5		Note 6
Non-current assets								
Property, plant and equipment	88,242	-	-	-	-	-	88,242	
Investment properties	1,791,200	-	-	-	-	-	1,791,200	
Interests in associates	665,666	-	-	-	-	-	665,666	
Available-for-sale investments	109,665	-	-	-	-	-	109,665	
Convertible notes	19,213	-	-	-	-	-	19,213	
Derivatives component of convertible notes	9,792	-	-	-	-	-	9,792	
Loans receivable	13,979	-	-	-	-	-	13,979	
Intangible asset	500	-	-	-	-	-	500	
Deposits	2,314	1,820	(1,820)	-	-	-	2,314	
Deposit and prepayments for a life insurance policy	10,275	-	-	-	-	-	10,275	
	<u>2,710,846</u>	<u>1,820</u>	<u>(1,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,710,846</u>	
Current assets								
Properties held for development for sale	798,009	-	-	-	390,031	-	1,188,040	
Deposits and prepayments for acquisition of properties held for development for sale	-	-	1,820	152,893	(154,713)	-	-	
Properties held for sale	166,247	-	-	-	-	-	166,247	
Investments held for trading	100,094	-	-	-	-	-	100,094	
Convertible notes	42,104	-	-	-	-	-	42,104	
Derivatives component of convertible notes	958	-	-	-	-	-	958	
Trade and other receivables	190,267	-	-	-	68,545	-	258,812	
Tax recoverable	449	-	-	-	-	-	449	
Loans receivable	245,282	-	-	-	-	-	245,282	
Financial assets designated as at fair value through profit or loss	29,885	-	-	-	-	-	29,885	
Bank balances and cash	150,370	-	-	(154,713)	(303,863)	(700)	(308,906)	
	<u>1,723,665</u>	<u>-</u>	<u>1,820</u>	<u>(1,820)</u>	<u>-</u>	<u>(700)</u>	<u>1,722,965</u>	

	The Group as at 31 March 2018 <i>HK\$'000</i> (audited) <i>Note 1</i>	Pro forma adjustments					Pro forma total for the Enlarged Group <i>HK\$'000</i>
		<i>HK\$'000</i> (audited) <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i> <i>Note 5</i>	<i>HK\$'000</i> <i>Note 6</i>	
Current liabilities							
Trade and other payables	63,260	-	-	-	-	-	63,260
Tax payable	29,354	-	-	-	-	-	29,354
Shareholder's loan	-	1,820	-	(1,820)	-	-	-
Secured bank borrowings	601,657	-	-	-	-	-	601,657
	<u>694,271</u>	<u>1,820</u>	<u>-</u>	<u>(1,820)</u>	<u>-</u>	<u>-</u>	<u>694,271</u>
Net current assets (liabilities)	<u>1,029,394</u>	<u>(1,820)</u>	<u>1,820</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>1,028,694</u>
Total assets less current liabilities	<u>3,740,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>3,739,540</u>
Non-current liabilities							
Secured bank borrowings	550,085	-	-	-	-	-	550,085
Net assets	<u>3,190,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>3,189,455</u>
Capital and reserves							
Share capital	7,942	-	-	-	-	-	7,942
Reserves	3,182,213	-	-	-	-	(700)	3,181,513
Total equity	<u>3,190,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>3,189,455</u>

Notes:

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2018 as set out in the Group's published annual results announcement for the year ended 31 March 2018.
2. The financial information of the Target is extracted from the audited statement of financial position of the Target as at 16 May 2018 as set out in the accountants' report on the Target prepared by Cosmos CPA Limited which is contained in Appendix II to this circular. For pro forma purpose, it is assumed the financial position of the Target as at 16 May 2018 is the same as 31 March 2018.
3. The adjustment represents the reclassification of "deposits paid for investment properties" to "deposits and prepayments for acquisition of properties held for development for sale" amounting to approximately HK\$1,820,000 on Group level.
4. The adjustment represents (i) cash payment of consideration of approximately HK\$152,893,000 for the acquisition of the entire issued share capital of the Target; and (ii) cash payment of approximately HK\$1,820,000 for the assignment of the shareholder's loan owed by the Target to the Target Seller as at the completion of the Target Agreement. For pro forma purpose, it is assumed that the completion of the Target Agreement is 31 March 2018. The Directors consider that the transaction is an acquisition of assets and thus, the total consideration paid by the Group of approximately HK\$154,713,000 represents deposits and prepayments for acquisition of properties held for development for sale which are capitalised and included therein. The cash payment of consideration paid by the Group included the non-refundable portion of stamp duty of approximately HK\$13,931,000 and the refundable portion of stamp duty of approximately HK\$68,545,000. When the property redevelopment project commences, the Group will apply for refund of the stamp duty paid in accordance with the provisions of the Hong Kong Stamp Duty Ordinance.

For pro forma purpose, it is also assumed that the Consideration is not adjusted. There is no certainty that the total consideration is the same amount of approximately HK\$154,713,000. Circumstances giving rise to adjustment to the Consideration are set out in the sub-section headed "Consideration" under the section headed "The Target Agreement" in the "Letter from the Board" of this circular.

5. The adjustment represents, upon the Properties Completion, (i) cash payment of the unpaid balance of the purchase price of the Properties under the Properties Purchase Agreements amounting to approximately HK\$303,763,000; (ii) the incurrence of expenses directly attributable to the Properties Purchase Agreements of approximately HK\$100,000; (iii) reclassification of refundable stamp duty amounting to approximately HK\$68,545,000 as described in (4) above to other receivables; and (iv) the reclassification of "deposits and prepayments for acquisition of properties held for development for sale" to "properties held for development for sale" amounting to approximately HK\$390,031,000. For pro forma purpose, it is assumed that the Properties Completion Date is 31 March 2018.
6. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$700,000.
7. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

**Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other
Comprehensive Income**

	The Group Year ended 31 March 2018	Pro forma adjustments		Pro forma total for the Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited) <i>Note 1</i>	(audited) <i>Note 2</i>	<i>Note 3</i>	
Revenue	331,521	–	–	331,521
Cost of properties sold and services rendered	(157,352)	–	–	(157,352)
	174,169	–	–	174,169
Other income	35,843	–	–	35,843
Distribution and selling expenses	(30,118)	–	–	(30,118)
Administrative expenses	(55,396)	–	(700)	(56,096)
Gain on changes in fair value of investment properties	159,475	–	–	159,475
Gain on changes in fair value of investments held for trading	21,859	–	–	21,859
Gain on redemption of convertible note	1,135	–	–	1,135
Gain on modification of terms of convertible note	425	–	–	425
Loss on changes in fair value of financial assets designated as at fair value through profit or loss	(3,403)	–	–	(3,403)
Loss on changes in fair value of derivatives component of convertible notes	(2,992)	–	–	(2,992)
Loss on disposal of available-for-sale investments	(1,033)	–	–	(1,033)
Impairment loss on available-for-sale investments	(4,213)	–	–	(4,213)
Results attributable to interests in associates	40,993	–	–	40,993
Finance costs	(16,935)	–	–	(16,935)
Profit before taxation	319,809	–	(700)	319,109
Taxation charge	(22,646)	–	–	(22,646)
Profit for the year attributable to owners of the Company	297,163	–	(700)	296,463

	The Group Year ended 31 March 2018	Pro forma adjustments		Pro forma total for the Enlarged Group
	HK\$'000 (audited) <i>Note 1</i>	HK\$'000 (audited) <i>Note 2</i>	HK\$'000 <i>Note 3</i>	HK\$'000
Other comprehensive income (expense)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of other comprehensive income (expense) of associates:				
Share of translation reserve of associates	10,013	–	–	10,013
Share of investment valuation reserve of associates	14,435	–	–	14,435
Reclassification of translation reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence	190	–	–	190
Reclassification of translation reserve to profit or loss upon deemed acquisition of additional interests in associates	(1,182)	–	–	(1,182)
Reclassification of investment revaluation reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence	(4,167)	–	–	(4,167)
Reclassification of investment revaluation reserve to profit or loss upon deemed acquisition of additional interests in associates	1,849	–	–	1,849
	21,138	–	–	21,138
Changes in fair value of available-for-sale investments	18,319	–	–	18,319
Released on disposal of available-for-sale investments	1,033	–	–	1,033
Reclassification adjustment upon impairment of available-for-sale investments	4,213	–	–	4,213
Other comprehensive income for the year	44,703	–	–	44,703
Total comprehensive income for the year attributable to owners of the Company	341,866	–	(700)	341,166

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2018 as set out in the Group's published annual results announcement for the year ended 31 March 2018.
2. The financial information of the Target is extracted from the audited statement of profit or loss and other comprehensive income of the Target for the period from 3 January 2018 (date of incorporation) to 16 May 2018 as set out in the accountants' report on the Target prepared by Cosmos CPA Limited which is contained in Appendix II to this circular. For pro forma purpose, it is assumed that the financial performance of the Target for the period from 3 January 2018 (date of incorporation) to 16 May 2018 is the same as the year ended 31 March 2018.
3. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$700,000.
4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Group Year ended 31 March 2018	Pro forma adjustments					Pro forma total for the Enlarged Group
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(audited) Note 1	(audited) Note 2	Note 3	Note 4	Note 5	
Cash flows from operating activities							
Profit before taxation	319,809	–	–	–	(700)	319,109	
Adjustments for:							
Interest income	(26,164)	–	–	–	–	(26,164)	
Interest expense	16,935	–	–	–	–	16,935	
Depreciation of property, plant and equipment	4,119	–	–	–	–	4,119	
Amortisation of premium and other expenses charged on a life insurance policy	282	–	–	–	–	282	
Dividend income from listed investments	(7,527)	–	–	–	–	(7,527)	
Gain on changes in fair value of investment properties	(159,475)	–	–	–	–	(159,475)	
Gain on redemption of convertible note	(1,135)	–	–	–	–	(1,135)	
Gain on modification of terms of convertible note	(425)	–	–	–	–	(425)	
Loss on disposal of available-for-sale investments	1,033	–	–	–	–	1,033	
Gain on changes in fair value of investments held for trading	(21,859)	–	–	–	–	(21,859)	
Loss on changes in fair value of financial assets designated as at fair value through profit or loss	3,403	–	–	–	–	3,403	
Loss on changes in fair value of derivatives component of convertible notes	2,992	–	–	–	–	2,992	
Results attributable to interests in associates	(40,993)	–	–	–	–	(40,993)	
Impairment loss on available-for-sale investments	4,213	–	–	–	–	4,213	
Operating cash flows before movements in working capital	95,208	–	–	–	(700)	94,508	
Increase in properties held for development for sale	(476,155)	–	–	(390,031)	–	(866,186)	
Increase in deposits and prepayments for acquisition of properties held for development for sale	–	–	(154,713)	154,713	–	–	
Decrease in properties held for sale	150,954	–	–	–	–	150,954	
Decrease in investments held for trading	263,042	–	–	–	–	263,042	
Increase in trade and other receivables	(98,351)	–	–	(68,545)	–	(166,896)	
Decrease in loans receivable	49,593	–	–	–	–	49,593	
Decrease in trade and other payables	(32,028)	–	–	–	–	(32,028)	
Cash used in operations	(47,737)	–	(154,713)	(303,863)	(700)	(507,013)	
Hong Kong Profits Tax paid	(18,122)	–	–	–	–	(18,122)	
Dividend received from investments held for trading	47	–	–	–	–	47	
Net cash used in operating activities	(65,812)	–	(154,713)	(303,863)	(700)	(525,088)	

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

	The Group Year ended 31 March 2018	Pro forma adjustments					Pro forma total for the Enlarged Group
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(audited) Note 1	(audited) Note 2	Note 3	Note 4	Note 5	
Cash flows from investing activities							
Redemption of financial assets designated as at fair value through profit or loss	585,019	-	-	-	-	-	585,019
Proceeds from redemption of convertible notes	35,000	-	-	-	-	-	35,000
Proceeds received from disposal of available-for-sale investments	20,357	-	-	-	-	-	20,357
Interest received	20,057	-	-	-	-	-	20,057
Dividend received from available-for- sale investments	1,239	-	-	-	-	-	1,239
Acquisition of financial assets designated as at fair value through profit or loss	(620,000)	-	-	-	-	-	(620,000)
Acquisition of convertible notes	(44,200)	-	-	-	-	-	(44,200)
Acquisition of available-for-sale investments	(16,890)	-	-	-	-	-	(16,890)
Purchase of property, plant and equipment	(6,037)	-	-	-	-	-	(6,037)
Additions of investment properties	(3,425)	-	-	-	-	-	(3,425)
Deposit paid for investment properties	(1,970)	(1,820)	1,820	-	-	-	(1,970)
Deposit paid for acquisition of property, plant and equipment	(139)	-	-	-	-	-	(139)
Net cash used in investing activities	(30,989)	(1,820)	1,820	-	-	-	(30,989)
Cash flows from financing activities							
Bank borrowings raised	517,560	-	-	-	-	-	517,560
Repayment of bank borrowings	(265,717)	-	-	-	-	-	(265,717)
Interest paid	(26,174)	-	-	-	-	-	(26,174)
Dividend paid	(3,971)	-	-	-	-	-	(3,971)
Advance from the shareholder	-	1,820	(1,820)	-	-	-	-
Net cash from financing activities	221,698	1,820	(1,820)	-	-	-	221,698
Net increase (decrease) in cash and cash equivalents	124,897	-	(154,713)	(303,863)	(700)	(700)	(334,379)
Cash and cash equivalents at beginning of the year	25,473	-	-	-	-	-	25,473
Cash and cash equivalents at end of the year, represented by bank balances and cash	150,370	-	(154,713)	(303,863)	(700)	(700)	(308,906)

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 March 2018 as set out in the Group's published annual results announcement for the year ended 31 March 2018.
2. The financial information of the Target is extracted from the audited statement of cash flows of the Target for the period from 3 January 2018 (date of incorporation) to 16 May 2018 as set out in the accountants' report on the Target prepared by Cosmos CPA Limited which is contained in Appendix II to this circular. For pro forma purpose, it is assumed that the cash flows of the Target for the period from 3 January 2018 (date of incorporation) to 16 May 2018 is the same as the year ended 31 March 2018.
3. The adjustment represents (i) cash payment of consideration of approximately HK\$152,893,000 for the acquisition of the entire issued share capital of the Target; (ii) cash payment of approximately HK\$1,820,000 for the assignment of the shareholder's loan owed by the Target to the Target Seller as at the completion of the Target Agreement; and (iii) adjustments to deposits paid for investment properties and advance from the shareholder as reflected in (ii) already. For pro forma purpose, it is assumed that the completion of the Target Agreement is 1 April 2017. The Directors consider that the transaction is an acquisition of assets and thus, the total consideration paid by the Group of approximately HK\$154,713,000 represents deposits and prepayments for acquisition of properties held for development for sale which are capitalised and included therein. The cash payment of consideration paid by the Group included the non-refundable portion of stamp duty of approximately HK\$13,931,000 and the refundable portion of stamp duty of approximately HK\$68,545,000. When the property redevelopment project commences, the Group will apply for refund of the stamp duty paid in accordance with the provisions of the Hong Kong Stamp Duty Ordinance.

For pro forma purpose, it is also assumed that the Consideration is not adjusted. There is no certainty that the total consideration is the same amount of approximately HK\$154,713,000. Circumstances giving rise to adjustment to the Consideration are set out in the sub-section headed "Consideration" under the section headed "The Target Agreement" in the "Letter from the Board" of this circular.

4. The adjustment represents, upon the Properties Completion, (i) cash payment of the unpaid balance of the purchase price of the Properties under the Properties Purchase Agreements amounting to approximately HK\$303,763,000; (ii) payment of expenses directly attributable to the Properties Purchase Agreements of approximately HK\$100,000; (iii) reclassification of refundable stamp duty amounting to approximately HK\$68,545,000 to other receivables; and (iv) the reclassification of "deposits and prepayments for acquisition of properties held for development for sale" to "properties held for development for sale" amounting to approximately HK\$390,031,000. For pro forma purpose, it is assumed that the Properties Completion Date is 1 April 2017.
5. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$700,000.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

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

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of unaudited pro forma financial information.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION****TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Easyknit International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018 and related notes as set out in Section A of Appendix III to the circular issued by the Company dated 25 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire issued share capital of Success Active Limited (the "Target") and the shareholder's loan owing by the Target to its sole shareholder and, through the Target, properties located at No. 470, 472, 474, 476 and 478 of Chatham Road North, Kowloon, Hong Kong in respect of contracts all dated 30 April 2018 between the Target and respective properties vendors (the "Acquisition") on the Group's financial position as at 31 March 2018 and the Group's financial performance and cash flows for the year ended 31 March 2018 as if the Acquisition had taken place at 31 March 2018 and 1 April 2017, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's published annual results announcement for the year ended 31 March 2018.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA 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 Accountants' Responsibilities

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

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

For 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 or 1 April 2017 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 June 2018

The following is the valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation as at 25 May 2018 of the properties.



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25 June 2018

The Directors

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

Dear Sirs

Valuation in Respect of Nos 470, 472, 474, 476 and 478 Chatham Road North, Hung Hom, Kowloon (the “Property Interest”)

In accordance with the instructions to us to value the Property Interest to be acquired by Eternal Ridge Limited (hereinafter referred to as the “Company”) and/or its subsidiaries (hereinafter together referred to as the “Group”), we confirm that we have carried out external inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property Interest in its existing state and on existing use basis as at 25 May 2018 (the “Valuation Date”) for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Basis of Valuation

In arriving at our opinion of a market value, we followed “The HKIS Valuation Standards 2017” issued by The Hong Kong Institute of Surveyors (“HKIS”) and “The RICS Valuation – Global Standards 2017” issued by The Royal Institution of Chartered Surveyors (“RICS”). Under the said standards, market value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the valuation date by the seller and the most advantageous price reasonably obtainable in the market on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2017” issued by HKIS and “The RICS Valuation – Global Standards 2017” issued by RICS.

Our valuation is based on 100% of the leasehold interest of the Property Interest.

Valuation Methodology

In forming our opinion of value of the Property Interest, as the Property Interest is a residential property with availability of sale comparables, we have therefore adopted Market Approach as the primary valuation approach.

We have adopted the Market Approach by making reference to comparable sale transactions as available in the relevant market. We have made our assessment on the basis of a collation and analysis of appropriate comparable sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the subject property, taking into account size, location, terms, covenant and other material factors.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions: –

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property Interest is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property Interest nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as site area, floor areas and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property Interest, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property Interest or contained on the register of title. We assume that this information is complete and correct.

Inspection

The external inspection of the Property Interest was undertaken by our Ms Natalie Wong, MHKIS MRICS on 25 May 2018. Nevertheless, we have assumed in our valuations that the Property Interest was in satisfactory exterior and interior decorative order without any unauthorised extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property Interest to be Valued

We have exercised reasonable care and skill to ensure that the Property Interest is the Property Interest inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property interest to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property Interest on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon floor areas provided to us. We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property Interest is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property Interest. Our valuation has therefore been undertaken on the basis that the Property Interest was in satisfactory repair and condition, contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property Interest are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property Interest is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property Interest was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property Interest upon which this report is based, any and all required licenses, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Limitations on Liability

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property Interest.

Currency

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK\$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Natalie Wong
MRICS MHKIS RICS Registered Valuer
Director, Valuation & Advisory

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Senior Director, Head of Valuation & Advisory

Notes: Thomas Lam is a qualified valuer who has 17 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and Asia Pacific region.

Natalie Wong is a qualified valuer who has about 12 years of experience in valuation of properties in Hong Kong.

VALUATION

The Property Interest to be acquired by the Group

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 25 May 2018
1. Nos 470, 472, 474, 476 and 478 Chatham Road North, Hung Hom, Kowloon	The Property Interest comprises five adjoining lots with a total site area of about 4,685 sq ft (435.25 sq m) according to the registered assignment plans of the lots.	As advised by the Company, majority of the Property Interest was vacant as at the date of valuation. We were instructed by the Company to value the Property Interest on an immediate vacant possession basis.	HK\$252,540,000 (Hong Kong Dollars Two Hundred and Fifty Two Million Five Hundred and Forty Thousand)
Section D, the Remaining Portion of Section A, Sub-section 3 of Section A, the Remaining Portion of Sub-section 1 of Section A and Sub-section 2 of Section A of Kowloon Inland Lot No 1526	Erected on the lots are a 4-storey (No 470 Chatham Road North), a 6-storey (Nos 472 and 474 Chatham Road North) and a 7-storey (Nos 476 and 478 Chatham Road North) composite commercial residential tenement blocks completed in 1954, 1956 and 1957 respectively.		(100% property interest)
	The Property Interest is bounded by Chatham Road North and San Lau Street in Hung Hom of Kowloon. The neighbourhood is predominated by medium-rise and high-rise residential developments and composite commercial residential tenement blocks of various ages.		
	The total saleable area is approximately 21,765 sq ft (2,022.0 sq m) with Yards and Cocklofts of about 949 sq ft (88.2 sq m) and 1,626 sq ft (151.1 sq m) respectively.		
	Section D, the Remaining Portion of Section A, Sub-Section 3 of Section A, the Remaining Portion of Sub-Section 1 of Section A and Sub-Section 2 of Section A of Kowloon Inland Lot No 1526 are all held under a Government Lease dated 28 September 1926 for a term of 75 years commencing from 4 April 1921 and renewable for 75 years. A total annual Government rent of HK\$96,640 is payable for the abovementioned lots.		

Notes: (1) According to our searches in the land registry and as advised by the Company, the registered owners/beneficial owners of the Property Interest as at the Valuation Date are as follows:

Unit	Registered Owner/ Beneficial Owner
i. No 470 Chatham Road North	The Target Company* (4/4th shares)
ii. No 472 Chatham Road North	
Ground Floor, 1st Floor, 2nd Floor, 3rd Floor and 5th Floor	The Target Company* (5/6th shares)
4th Floor	Fung Tsz Kin (1/6th shares)
iii. No 474 Chatham Road North	
Ground Floor, Portions A, B C and D on 1st Floor, 3rd Floor, 4th Floor and 5th Floor	The Target Company* (5/6th shares)
2nd Floor	Harbourview International Holdings Limited (1/6th shares)
iv. No 476 Chatham Road North	
Ground Floor, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor and 6th Floor	The Target Company* (6/7th shares)
1st Floor	Chu Chun Ming (1/7th shares)
v. No 478 Chatham Road North	
Ground Floor, Front and Rear Portions on 1st Floor, Flats A and B of Front Portion on 2nd Floor, Rear Portion on 2nd Floor, Rear Portion on 3rd Floor, Front and Rear Portions on 4th Floor, Front and Rear Portions on 5th Floor and Rear Portion on 6th Floor	The Target Company* (3/4th of 1/14th shares and 11/14th shares)
Flats C & D of Front Portion on 2nd Floor	Lau Hung (2/4th of 1/14th shares)
Front Portion on 3rd Floor	Fok Siu Bing (1/14th shares)
Front Portion on 6th Floor	Yau Yee Holding Limited (1/14th shares)

* As advised by the Company, the Company entered into a purchasing agreement as a buyer with Ng Kwai Tung as a seller on 16 May 2018 to respectively purchase and sell the entire issued share capital of Success Active Limited (the "Target Company"), in respect of the relevant properties as shown above.

- (2) Pursuant to the latest Outline Zoning Plan, the Property Interest lay within an area zoned for “Residential (Group A)” use under the Approved Hung Hom Outline Zoning Plan No S/K9/26 dated 31 October 2017.
- (3) The Property Interest is subject to a non-offensive trade clause under the relevant Government Lease.
- (4) Pursuant to the record at the Land Registry, the Property Interest is subject to the following encumbrances:

No 470 Chatham Road North

- i. Deed of Covenant vide memorial no UB235544 dated 17 May 1955.
- ii. Order No DR00137/K/10 by The Building Authority under S.28(3) of the Buildings Ordinance vide memorial no 10051300570128 dated 9 April 2010.
- iii. Fire safety compliance order under S.6(1) of Fire Safety (Buildings) Ordinance (Chapter 572) by the Magistrate vide memorial no 14102101700011 dated 17 September 2014. (Re: G/F & Cockloft)
- iv. Fire safety compliance order under S.6(1) of Fire Safety (Buildings) Ordinance (Chapter 572) by the Magistrate vide memorial no 14102101700024 dated 17 September 2014. (Re: 1/F)
- v. Fire safety compliance order under S.6(1) of Fire Safety (Buildings) Ordinance (Chapter 572) by the Magistrate vide memorial no 14102101700035 dated 17 September 2014. (Re: 2/F)
- vi. Order No INVO00012/K/141 by the Building Authority under S.26A(1) of the Building Ordinance vide memorial no 14081401210379 dated 1 August 2014. (Re: 1/F)
- vii. Mortgage in favour of China Construction Bank (Asia) Corporation Limited vide memorial no 15111800190042 dated 5 November 2015. (Re: 3/F)
- viii. Second Mortgage in favour of Emperor Finance Limited vide memorial no 17062802190019 dated 28 June 2017. (Re: 3/F)

No 472 Chatham Road North

- ix. Deed of mutual covenant and grant vide memorial no UB256996 22 January 1957.
- x. Mortgage in favour of China Construction Bank (Asia) Corporation Limited for a consideration of all moneys vide memorial no 09102700850263 dated 30 September 2009. (Re: G/F and 1/F)
- xi. Assignment of rentals in favour of China Construction Bank (Asia) Corporation Limited vide memorial no 09102700850272 dated 30 September 2009. (Re: G/F)
- xii. Order No DR00139/K/10 by The Building Authority under S.28 (3) of the Buildings Ordinance vide memorial no 10051300570133 dated 9 April 2010.
- xiii. Legal Charge/Mortgage in favour HKCB Finance Limited for a consideration of all moneys vide memorial no 10112201360217 dated 28 October 2010. (Re: 2/F)

No 474 Chatham Road North

- xiv. Deed of Mutual Covenant & Grant vide memorial no UB257224 dated 22 January 1957.
- xv. Order No DR00145/K/10 by the Building Authority under S.28(3) of the Building Ordinance vide memorial no 10051300570103 dated 9 April 2010.

No 476 Chatham Road North

- xvi. Deed of Mutual Covenant and Grant vide memorial no UB267295 dated 10 August 1957.
- xvii. Order No DR00145/K/10 by the Building Authority under S.28(3) of the Building Ordinance vide memorial no 10051300570103 dated 9 April 2010.
- xviii. Legal charge/mortgage in favour of the Bank of East Asia, Limited vide memorial no 10090101970231 dated 18 August 2010. (Re: G/F)
- xix. Assignment of rental in favour of the Bank of East Asia, Limited vide memorial no 10090101970246 dated 18 August 2010. (Re: G/F)
- xx. Order No C/TE/000091/12K by the Buildings Authority under S.24(1) of the Buildings Ordinance vide 12050801920138 dated 3 February 2012.

No 478 Chatham Road North

- xxi. Deed of Mutual Covenant and Grant vide memorial no UB266148 dated 10 August 1957.
 - xxii. Order No DR00146/K/10 by the Building Authority under S.28(3) of the Building Ordinance vide memorial no 10051300570112 dated 9 April 2010.
 - xxiii. Deed of family arrangement vide memorial no 10121300040016 dated 12 November 2010. (Re: G/F)
- (5) The market value of the units held by the Group in Property Interest was HK\$224,460,000 as at the Valuation Date.
 - (6) We were instructed by the Group to assess the market value of the Property Interest (100% interest) on redevelopment basis, assuming that it was on immediate vacant possession basis and will be redeveloped under the constraints as stipulated in the Government Lease, town planning zoning, Buildings Ordinance and other prevailing regulations and that all consents, approvals and licences from relevant government authorities for the redevelopment will be obtained without undue delay or onerous conditions. The market value of the Property Interest on redevelopment basis and subject to the abovementioned assumptions was HK\$465,000,000 as at the Valuation Date.
 - (7) Based on our valuation of the units held by the Group in the Property Interest on existing use basis, it shall account for approximately 88.88% of the market value of the Property Interest. The apportioned market value of the Property Interest on redevelopment basis was therefore HK\$413,292,000.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Directors' interest in Shares**

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

(i) Interests in the Company

Name of Director	Capacity	Number of Shares held (long position)	Aggregate number of Shares held	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust <i>(Note i)</i>	29,179,480	46,609,144	51.04%
	Interest of controlled corporation <i>(Note ii)</i>	17,429,664		
Ms. Koon Ho Yan Candy	Beneficiary of a trust <i>(Note iii)</i>	29,179,480	29,179,480	31.95%

Notes:

- (i) 29,179,480 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 included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu.
- (iii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

(ii) *Interests in the associated corporation**Eminence Enterprise Limited (“Eminence”)*

Name of Director	Capacity	Number of ordinary shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust	739,330,692	311,480,281	1,050,810,973	35.43%

In the 739,330,692 shares of Eminence, 93,549,498 shares and 645,781,194 shares of Eminence are registered in the name of and are beneficially owned by Landmark Profits Limited and Goodco Development Limited respectively, both companies are wholly-owned subsidiaries of the Company. For the 311,480,281 underlying shares, of which 288,880,281 are the underlying shares of convertible notes issued by Eminence to Goodco Development Limited; and the remaining 22,600,000 underlying shares are the share options granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016. Sea Rejoice Limited is interested in approximately 19.09% of the issued share capital of the Company and is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 31.95% of the issued share capital of the Company and is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

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

(b) Substantial Shareholders' interest

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

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Approximate percentage of interest
Lui Yuk Chu	<i>i, ii and iii</i>	Beneficial of a trust	46,609,144	51.04%
Koon Ho Yan Candy	<i>i</i>	Beneficial of a trust	29,179,480	31.95%
Koon Wing Yee	<i>i</i>	Interest of spouse	46,609,144	51.04%
Sea Rejoice Limited	<i>i & ii</i>	Beneficial owner	17,429,664	19.09%
Magical Profits Limited	<i>i & ii</i>	Beneficial owner	29,179,480	31.95%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	29,179,480	31.95%
Winterbotham Trust	<i>i & iii</i>	Trustee	29,179,480	31.95%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Markson International Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Ian Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%

Notes:

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

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

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

4. DIRECTORS’ SERVICE CONTRACTS

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

There will be variation in the remuneration payable and benefits in kind receivable by any Director in consequence of the Acquisition.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2017 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

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

- (a) 4 executed term sheets dated 27 June 2016 and 29 September 2016 for the purchase of the ELNs of Hong Kong Exchanges and Clearing Limited (stock code: 388) for a total consideration of HK\$170,000,000;
- (b) 2 executed term sheets dated 30 June 2016 and 30 September 2016 for the purchase of the ELNs of Industrial and Commercial Bank of China Limited (stock code: 1398) for a total consideration of HK\$93,000,000;
- (c) 1 executed term sheet dated 21 September 2016 for the purchase of the ELN of CSOP FTSE China A50 ETF (stock code: 2822) for a consideration of HK\$50,000,000;
- (d) 3 executed term sheets dated 23 September 2016, 28 December 2016 and 28 March 2017 for the purchase of the ELNs of China Construction Bank Corporation (stock code: 939) for a consideration of HK\$120,000,000;

- (e) a loan agreement dated 17 November 2016 entered into between Great Sail Global Limited (“**Great Sail**”), a wholly-owned subsidiary of the Company, as lender, and Fortunate Gravity Hongkong Limited (“**FG**”), an Independent Third Party, to lend up to HK\$100,000,000 for a term of 12 months at the interest rate of 12% per annum. The loan is secured by a share charge;
- (f) a loan agreement dated 7 December 2016 entered into between Planetic International Limited, a wholly-owned subsidiary of the Company, as lender, and Mr. Ting, an Independent Third Party, to lend up to HK\$63,000,000 for a term of 12 months at the interest rate of 8% per annum. The loan is secured by a share charge;
- (g) 3 executed term sheets dated 3 January 2017, 27 February 2017 and 18 May 2017 for the purchase of the ELNs of Industrial and Commercial Bank of China Limited (stock code: 1398) for a total consideration of HK\$145,000,000;
- (h) 2 executed term sheets dated 20 February 2017 and 4 July 2017 for the purchase of the ELNs of Hong Kong Exchanges and Clearing Limited (stock code: 388) for a total consideration of HK\$100,000,000;
- (i) 1 executed term sheet dated 5 May 2017 for the purchase of ELN of Agricultural Bank of China Limited (stock code: 1288) for a consideration of HK\$35,000,000;
- (j) 1 executed term sheet dated 30 June 2017 for the purchase of the ELN of HSBC Holdings plc (stock code: 0005) for a consideration of HK\$50,000,000;
- (k) an agreement dated 13 April 2017 entered into between GY and the seller for the sale and purchase of the sale share and sale loan of Global Chance Holdings Limited;
- (l) a loan agreement dated 15 September 2017 entered into between Main Profit Investment Limited (“**Main Profit**”), a wholly-owned subsidiary of the Company, as lender, and Jimu Group, an Independent Third Party, to lend up to HK\$130,000,000 for a term of 6 months at the interest rate of 15.5% per annum. The loan is secured by a share charge and a personal guarantee;
- (m) a deed of settlement dated 22 September 2017 entered into between Main Profit and Jimu Group to settle the loan repayment amount of HK\$130,000,000 and other relevant expenses incurred in the transaction;
- (n) a supplemental agreement dated 16 November 2017 entered into between Great Sail as lender and FG as the borrower to extend due date of the loan agreement to 14 February 2018;
- (o) 1 executed term sheet dated 4 December 2017 for the purchase of the ELN of China Construction Bank Corporation (stock code: 939) for a consideration of HK\$50,000,000;

- (p) 1 executed term sheet dated 8 January 2018 for the purchase of the ELN of HSBC Holdings plc (stock code: 0005) for a consideration of HK\$50,000,000;
- (q) 1 executed term sheet dated 18 January 2018 for the purchase of the ELN of Bank of China Limited for a consideration of HK\$30,000,000;
- (r) a second supplemental agreement dated 14 February 2018 entered into between Great Sail as the lender, FG as the borrower, the guarantor and the chargors under the share charges, pursuant to which the borrower agreed to repay the loan in the amount of HK\$60,000,000 and the lender agreed to extend the repayment date of the remaining outstanding amount of the loan of HK\$40,000,000 to 14 August 2018;
- (s) 1 executed term sheet dated 16 March 2018 for the purchase of the ELN of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) for a consideration of HK\$50,000,000;
- (t) the sale and purchase agreement dated 16 March 2018 entered into between Delano Hills Limited, a wholly-owned subsidiary of the Company, Ms. Park Gi Youn, Giant Astute Limited and the Company in relation to the sale and purchase of the entire issued share capital in and the shareholders' loans of Gold Asset Investment Limited and Wise Think Global Limited;
- (u) the placing agreement dated 4 May 2018 entered between the Company and Get Nice Securities Limited, as the placing agent, to place 11,900,000 shares of the Company at a placing price of HK\$4.60 per placing share; and
- (v) the Target Agreement.

8. EXPERTS AND CONSENTS

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

Name	Qualification
Cosmos CPA Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
Knight Frank	Independent Professional Valuer

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2017 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

9. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2015, 2016 and 2017 and the announcement of the annual results of the Company for the year ended 31 March 2018;

- (c) the accountants' report on the Target issued by Cosmos CPA Limited, the text of which is set out in Appendix II to this circular;
- (d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (e) the valuation report prepared by Knight Frank, the text of which is set out in Appendix IV to this circular;
- (f) the letters of consent referred to in the paragraph headed "EXPERTS AND CONSENTS" in this appendix;
- (g) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix;
- (h) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules, since 31 March 2018; and
- (i) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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 (“**Meeting**”) of Easyknit International Holdings Limited (永義國際集團有限公司) (“**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Friday, 13 July 2018 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed with or without amendment as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

“THAT:

- (a) the Acquisition of the Sale Shares, the Shareholders Loan and Properties on and subject to the terms of the Target Agreement and the Properties Purchase Agreements be and is hereby approved; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company 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 Acquisition and the transactions contemplated thereunder and to agree to such variations of the terms of the Acquisition as they may in their absolute discretion consider necessary or desirable.

Terms defined in the circular of the Company to its shareholders dated 25 June 2018 are used in this resolution with those defined meanings.”

By Order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Chief Executive Officer

Hong Kong, 25 June, 2018

* for identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:

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

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. For the purpose of determining shareholders' eligibility to attend and vote at the Meeting, the register of members will be closed from Tuesday, 10 July 2018 to Friday, 13 July 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 9 July 2018.