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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.



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

MAJOR TRANSACTION

**ACQUISITION OF
SALE SHARE AND SALE LOAN**

* *for identification only*

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by Kingbest subject to the terms and conditions of the Agreement
“Agreement”	an agreement dated 20 June 2012 entered into between Kingbest and the Seller for the sale and purchase of Sale Share and Sale Loan
“associates”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Building”	the building situated at Nos. 14 and 16 of Inverness Road, Kowloon Tong, Kowloon, Hong Kong
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan
“Completion Date”	the date fixed for completion of the Agreement, which is expected to be on 20 July 2012, or such other dates the parties may agree in writing
“Consideration”	the aggregate consideration of HK\$61,750,000 includes the amount of HK\$48,900,000 to acquire the Sale Share and the amount of HK\$12,850,000 to acquire the Sale Loan payable by Kingbest to the Seller under the Agreement
“Director(s)”	director(s) of the Company
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited (a subsidiary of the Company), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Enlarged Group”	the Group immediately after completion of Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Kingbest”	Kingbest Capital Holdings Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Latest Practicable Date”	16 July 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance, Cap 545, Laws of Hong Kong
“percentage ratios”	the meaning ascribed thereto in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Properties”	collectively the First Floor and the Second Floor of No. 14 Inverness Road; and the basement, the Ground Floor, the First Floor, the Second Floor and the roof of No. 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong
“Property Purchase Agreement(s)”	the provisional agreements and/or formal agreements entered into between TEL and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendors”	the respective vendor(s) of each of the Property Purchase Agreement(s), each of which is Independent Third Party and the ultimate beneficial owners of each of the Property Vendors is third party, independent of the Company and its connected persons
“Remaining Units”	basement and the Ground Floor of No. 14 Inverness Road, Kowloon Tong, Kowloon, Hong Kong
“Roof”	roof of No. 14 Inverness Road of the Building
“Sale Loan”	the entire amount of the shareholder’s loan of HK\$12,850,000 owing by TEL to the Seller as at the Completion Date
“Sale Share”	the 1 ordinary share of US\$1.00 in the share capital of TEL, which has been issued and fully paid up and which represents the entire issued share capital of TEL at Completion
“Seller”	an individual person who is an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.ft”	square feet
“TEL”	Total Expect Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by the Seller

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Non-executive Director:

Mr. Tse Wing Chiu Ricky

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*

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

19 July 2012

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF SALE SHARE AND SALE LOAN

INTRODUCTION

On 20 June 2012, the Directors announced that the Agreement was entered into between Kingbest, an indirect wholly-owned subsidiary of the Company, as purchaser with the Seller on 20 June 2012 (after trading hours), pursuant to which, amongst other things, Kingbest conditionally agreed to acquire, and the Seller agreed to sell the Sale Share and the Sale Loan at a Consideration of HK\$61,750,000. The Sale Share represents 100% equity interest in TEL whilst the Sale Loan represents the entire amount of shareholder's loan owing by TEL to the Seller as at the Completion Date.

* *for identification only*

LETTER FROM THE BOARD

TEL is the purchaser under the Property Purchase Agreements. The acquisition of TEL will enable the Group to acquire the Properties, which represents 6 out of the 8 units in the Building.

The Properties represent over 83.33% of the undivided shares of the Building (as contemplated by section 3(1) of the Ordinance. The Group intends to acquire the Remaining Units so as to be the owner of the whole Building and may contemplate to redevelop if and when the Directors consider market sentiment to be appropriate.

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction under Rule 14.06(3) of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals of the Acquisition has been obtained from Sea Rejoice Limited and Magical Profits Limited, the substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing 58.69% of the issued share capital of the Company as at the Latest Practicable Date.

The purpose of this circular is to provide you with further information on, amongst other things, the Acquisition and the valuation report on the Properties.

PRINCIPAL TERMS OF THE AGREEMENT

Date : 20 June 2012 (after trading hours)

Purchaser : Kingbest

Seller : NG Kwai Tung, who is the legal and beneficial owner of the entire issued share capital of TEL, being the seller

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller is an Independent Third Party. Prior to the Agreement, there were no arrangements between the Company and the Seller in relation to the Property Purchase Agreements.

Assets to be Acquired

Pursuant to the Agreement, amongst other things, Kingbest has conditionally agreed to acquire from the Seller the Sale Share, representing the entire issued share capital of TEL, and the Sale Loan.

TEL is legally and beneficially interested in the Properties which is a residential property located at Nos. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total saleable area of approximately 11,130 sq.ft. Upon completion of the Acquisition, TEL will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Condition Precedent

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

1. a due diligence review being carried out on TEL by, and having been completed to the satisfaction of, Kingbest in its sole discretion; and
2. the warranties provided by the Seller under the Agreement remain true and accurate in all respects.

Consideration

The Consideration for the Sale Share and the Sale Loan is HK\$61,750,000 which shall be paid in cash and be paid as follows:

1. the deposit in the sum of HK\$20,000,000 was paid to the Seller upon the signing of the Agreement;
2. the further deposit of HK\$16,300,000 was paid to the Seller on 25 June 2012;
3. the further deposit of HK\$12,850,000 shall be paid to the Seller on 20 July 2012; and
4. the balance of HK\$12,600,000 shall be paid to the Seller upon the delivery of the audited completion accounts of TEL on or before 20 August 2012.

The Consideration of HK\$61,750,000 was determined after arm's length negotiation between Kingbest and the Seller and has been taken into account of the factors including but without limitation to the value as stated in the property valuation report; transaction records of the nearby comparable properties, the fact that the Properties represent 83.33% of the undivided shares of the Building which facilitates the Company proceed the compulsory sale for redevelopment when necessary; the purchase price is below the value as stated in the property valuation report, its favourable location of the Properties and its future development potential.

The Group will fund the Acquisition from internal resources of the Group.

Acquisition of the Properties by TEL

On 11 June 2012 and 15 June 2012, TEL entered into the following Property Purchase Agreements for the acquisition of a total 6 units with 4 different Property Vendors:

1. 2 provisional agreements for 2 units; and
2. 2 sale and purchase agreements for 4 units.

LETTER FROM THE BOARD

4 of the Properties are subject to tenancy agreements that by the terms may still be in force at the latest time for completion of the Property Purchase Agreements. Details of the tenancies are as follows:

No. 14 Inverness Road

Unit	Tenancy Period	Monthly Rental Fees
2A	1 February 2012 - 31 January 2014	HK\$12,600
2B	1 November 2011 - 31 October 2013	HK\$17,100

No. 16 Inverness Road

Unit	Tenancy Period	Monthly Rental Fees
G/F & 1/F	22 October 2011-21 October 2013	HK\$63,000
2A	15 August 2011-14 August 2013	HK\$12,000
2B	1 June 2011-31 May 2013	HK\$13,500

Based on the tenancy agreements, gas, water, telephone and electricity charges were borne by the respective tenants of the Properties. No management fees have to be paid by tenants and landlords. For the year ended 31 March 2012, the government rates and rent levied on the Properties were approximately HK\$104,200 and HK\$62,530 respectively which was borne by the landlords. The total stamp duties on the tenancy agreements for the year ended 31 March 2012 were HK\$7,092 and were borne by the respective landlords and tenants in equal shares. Based on the statutory tax rate of Hong Kong, the total property tax paid and payable by the landlords for the year ended 31 March 2012 in respect of the tenancy agreements is estimated to be approximately HK\$116,670.

The completion of all the Property Purchase Agreements is expected to be on or before 31 August 2012. The total consideration for the acquisition of the Properties under the Property Purchase Agreements is HK\$179,900,000.

TEL has paid a total of HK\$12,850,000 as deposits under the Property Purchase Agreements (representing approximately 7.14% of the total consideration under all the Property Purchase Agreements) to the Property Vendors. Pursuant to the Agreement, Kingbest has paid HK\$13,700,000 as further deposits to the Property Vendors upon the execution of the remaining 2 formal agreements in respect of the Properties on 6 July 2012 and 9 July 2012 respectively; and paid stamp duty totaling HK\$7,645,850 for the Properties on 29 June 2012.

As at the Latest Practicable Date and upon the completion of the Property Purchase Agreements on or before 31 August 2012, TEL will have to pay the balance of the consideration in the sum of HK\$153,350,000 to the Property Vendors. If the Agreement completes on the Completion Date, TEL will then become a wholly-owned subsidiary of the Group.

LETTER FROM THE BOARD

In addition, TEL also entered into a deed of assignment with one of the Property Vendors to transfer the equity rights of 6 units on the Roof to TEL at a consideration of HK\$2,000 on 15 June 2012. A total of 6 tenancy agreements were entered into since 2011, details as follows:

Roof of No. 14 Inverness Road

Unit	Tenancy Period	Monthly Rental Fees
Room 1	1 December 2011 - 31 May 2012	HK\$800
Room 2	1 February 2012 - 31 July 2012	HK\$840
Room 3	1 April 2012 - 30 September 2012	HK\$1,080
Room 5	1 December 2011 - 31 May 2012	HK\$780
Room 7	1 January 2012 - 30 June 2012	HK\$720
Room 8	1 November 2011 - 30 April 2012	HK\$1,080

Based on the tenancy agreements, gas, water, telephone and electricity charges were borne by the respective tenants of the Properties. No management fees and government rates have to be paid by the landlords or tenants, whilst the government rent is equivalent to 3% of the rateable value for the time being of the property which was borne by the respective landlords. The total stamp duties on the tenancy agreements for the year ended 31 March 2012 were HK\$82 and were borne by the respective landlords and tenants in equal shares. Based on the statutory tax rate of Hong Kong, the total property tax paid and payable by the landlords for the year ended 31 March 2012 in respect of the tenancy agreements is estimated to be HK\$2,330.

The Group will fund the balance of the purchase price of the acquisition of the Properties from internal resources of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's principal businesses are in property investments and development, garment sourcing and export, investment in securities and loan financing. The Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC. TEL is the purchaser under the Property Purchase Agreements.

In early January 2012, the Seller made verbal offers to sell the Properties collectively to the Company and the Company commenced the preliminary negotiation with the Seller in early June 2012. As understood from the Seller that he started the negotiation process with the Property Vendors for more than a year, and he received counter-offers from other parties during these 6 months' time. The Seller mentioned that the Property Vendors were only willing to enter into the contracts with the Seller only.

The acquisition of the Sale Share and the Sale Loan of TEL will enable the Group to acquire the Properties, which represent 6 of the 8 units in the Building and represents over 83.33% of the undivided shares of the Building (as contemplated by section 3(1) of the Ordinance). The Group intends to acquire the Remaining Units so as to be the owner of the whole Building and may contemplate to redevelop if and when the Directors consider market sentiment to be appropriate.

LETTER FROM THE BOARD

The Ordinance provides, in summary, that the person or persons who own not less than 80% of the undivided shares in a lot (“Majority Owner”) may make an application to the Lands Tribunal, accompanied by a valuation report (prepared not earlier than 3 months before the date of the application), for an order to sell the undivided shares in the lot for redevelopment purposes (the “Sale Order”). The Lands Tribunal determines the application by hearing the objection of the minority owners (if any) in respect of the value of any property assessed, or in the case where the minority owners cannot be found, requiring the Majority Owner to satisfy the Lands Tribunal that the value of the minority owner’s property is not less than fair and reasonable. The Lands Tribunal must also be satisfied, among other things, that the development of the lot is justified and the Majority Owner has taken reasonable steps to acquire all the undivided shares in the lot including negotiating for the purchase of such of those shares as are owned by minority owners on terms that are fair and reasonable, before it makes the Sale Order.

Under section 5(1) of the Ordinance, where a Sale Order is granted, the lot shall be sold by (a) public auction, or (b) by other means agreed in writing by each minority owner and Majority Owner of the lot and approved by the Lands Tribunal. Section 5(5) of the Ordinance requires that if the lot is to be sold by auction, it shall be sold to the highest bidder at the auction. It is stated in section 5(5)(b) of the Ordinance that nothing in the Ordinance shall operate to prevent the Majority Owner or the minority owner from being the purchaser of the lot.

Where the Majority Owner is the purchaser of the lot, under section 6 of the Ordinance, it is not required to pay the full purchase price for the lot to the trustees, but to pay not less than the proportion of the amount that the trustees calculate is necessary for it to purchase all the undivided shares in the lot not already owned by it.

The Directors are optimistic about the prospects of acquiring the whole Building should the completion of the Agreement proceed. The Company will comply with all applicable requirements under the Listing Rules if and when sale and purchase agreements in respect of the Remaining Units are entered into.

Based on the valuation of the independent valuers, the current market value of a 100% interest in the Building with vacant possession was HK\$295,000,000 as at 20 June 2012. A copy of this valuation report is included in Appendix IV of this circular.

The Acquisition will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from the property development.

The Directors are of the view that the Acquisition is in the interests of the Group and is on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

As rental income will be generated from the Properties, the acquisition of TEL and the Properties will lead to a small increment on the Group’s earnings on rental income.

LETTER FROM THE BOARD

Assets and Liabilities

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III of this circular, the effect of the Acquisition is that (i) the deposits paid for properties held for development by the Group will increase by approximately HK\$61,750,000 and (ii) the cash reserve will decrease by approximately HK\$61,750,000. The Acquisition will have no potential effect on the Group's liabilities because the Group will only utilize its internal resources for the expenses and costs incurred in the Acquisition and the purchase of the Properties.

The Directors are of the view that the Acquisition and the purchase of the Properties by TEL as a whole is in the interest of the Group and is on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Acquisition if a physical general meeting were to be convened.

INFORMATION ON TEL

TEL was incorporated on 22 May 2012 and have never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of TEL up until the date of the Agreement, there are no profits attributable to TEL. The net asset value of TEL as at 20 June 2012 is HK\$8.

Its material assets are the 4 Property Purchase Agreements and the deposits paid and its rights under the Property Purchase Agreements; and the equity rights of 6 units on the Roof. The liability of TEL consists of a debt (owed to the Seller) of HK\$12,850,000 and its obligation under the Property Purchase Agreements.

WRITTEN SHAREHOLDERS' APPROVAL

As the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes, in aggregate a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition or is required to abstain from voting on the resolution approving of the Acquisition, should the Acquisition be put forward to the shareholders for approval at a general meeting of the Company. Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of Company, written approvals of the Acquisition, have been obtained from Sea Rejoice Limited and Magical Profits Limited, the substantial Shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the date of this circular. Sea Rejoice Limited which holds 17,429,664 Shares, representing approximately 21.95% of the issued Shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and an executive director of the Company and Easyknit Enterprises. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued Shares of the Company is wholly-owned by Hang Seng Bank Trustee International Limited as trustee

LETTER FROM THE BOARD

of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive director of the Company and Easyknit Enterprises) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a “closely allied group of shareholders” for the purpose of the Listing Rules.

INFORMATION ON THE COMPANY AND THE PURCHASER

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

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010, 2011 and 2012. They can be accessed on the websites of the Company (www.easyknit.com) and the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

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

3. INDEBTEDNESS

At the close of business on 31 May 2012, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Enlarged Group had outstanding bank borrowings of approximately HK\$493,911,000, which were guaranteed by the Company and were secured by certain investment properties of the Enlarged Group.

Apart from as disclosed above and intra-group liabilities, the Enlarged Group did not have at the close of business on 31 May 2012 any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors are not aware of any material change to the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

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

As the local market has been rising much and this reflected Hong Kong remaining as one of the attractive markets for property investments, therefore the Acquisition provides a good opportunity to expand the property investment portfolio of the Group. The Group intends to acquire the Remaining Units so as to be the owner of the whole building and may contemplate to redevelop if and when the Directors consider the market sentiment to be appropriate. In the long run, it can bring benefit to the Enlarged Group and its shareholders.

Barring unforeseen circumstances, both the global and local economies are on their long-term paths to recovery, the Company remains cautiously optimistic about the economic outlook in Asia and the healthy development of the Hong Kong property market.

For the prospects, the Enlarged Group continues holding various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC; and the Enlarged Group plans to actively acquire properties with good potentials for property investment and development and this will also provide the Enlarged Group with solid income from this area. In addition, the rental income generated from the investment properties are stable and it continues to be a revenue source to the Enlarged Group.

Looking ahead, the Directors believe that the next financial year is full of challenges but will also present opportunities to the Group. The management will stay alert of the dynamic competitive market conditions and develop high quality properties to meet market needs, seeking attractive investment properties acquisition opportunities. The Group will deploy its resources carefully to maintain a balanced growth, so as to maximize shareholder values and returns. Moreover, we will carry on with our prudent strategy of maintaining a healthy cash position to provide the Group with optimum flexibility to respond to market uncertainties.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON TEL

TEL is an investment holding company and has no material financial interest other than investment in the Properties and has not commenced any business operation since its incorporation on 22 May 2012. Set out below is the management discussion and analysis on TEL for the period from 22 May 2012 (date of incorporation) to 20 June 2012 (the “Period”).

Financial and Business Review

TEL had been principally engaged in investment holding during the Period. There are no profits attributable to TEL.

Capital Structure, Financial Resources and Liquidity

The net asset value of TEL as at 20 June 2012 is HK\$8 and its material assets are the 4 Property Purchase Agreements, the deposits paid and the rights under the Property Purchase Agreements; and the equity rights of the 6 units on the Roof. The non-current asset was HK\$12,850,000 which consisted of deposits paid under the Property Purchase Agreements. The current liability of TEL consists of a shareholder’s loan of HK\$12,850,000. TEL financed its operation mainly by loans from its sole shareholder. All loans are unsecured and interest free.

Business Strategies and Future Prospects

Other than investment in the Properties, TEL has no any material future prospects.

Other Financial Information of TEL***Capital commitment***

TEL did not have any significant capital commitment other than the commitment under the Property Purchase Agreements.

Significant Investments

Save as the investment in Properties, there was no significant investment held by TEL during the Period.

Acquisition or Disposal of Subsidiary

TEL had no acquisition or disposal of subsidiary during the Period.

Employees and Staff Policy

TEL is an investment holding company and had no employee during the Period.

Pledge of Assets

As at 20 June 2012, TEL has no pledged assets.

Future Plans for Material Investments or Capital Assets

As at 20 June 2012, save as disclosed in the investment of Properties, TEL has no plans for material investments or capital assets.

Gearing Ratio

As at 20 June 2012, the gearing ratio of TEL expressed in total bank borrowings as a percentage of net assets was nil%.

Foreign Exchange Exposure

During the Period, the business operation of TEL is in Hong Kong, therefore TEL has minimal exposure to foreign exchange and there are no significant amounts of foreign currency denominated monetary assets and liabilities other than HK\$.

Contingent Liabilities

As at 20 June 2012, TEL did not have any significant contingent liabilities.



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

19 July 2012

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

Dear Sirs

We set out below our report on the financial information relating to Total Expect Limited (“TEL”) including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 22 May 2012 (date of incorporation) to 20 June 2012 (the “Relevant Period”), and the statement of financial position as at 20 June 2012 together with the notes thereto (the “Financial Information”) for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 19 July 2012 in connection with the Company’s proposed acquisition of the entire issued share capital of TEL (the “Circular”).

TEL was incorporated in the British Virgin Islands on 22 May 2012 with limited liability and is principally engaged in property investment. The registered office of TEL is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

No statutory audited financial statements of TEL for the Relevant Period have been prepared as it was newly incorporated since on 22 May 2012. For the purpose of this report, the sole director of TEL has prepared the financial statements of TEL for the Relevant Period in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). We have undertaken an independent audit of the financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Financial Information of TEL for the Relevant Period in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA. The Financial Information for the Relevant Period set out in this report has been prepared based on the financial statements of TEL for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the financial statements of TEL in preparing our report for inclusion in the Circular. The sole director of TEL is responsible for the preparation of the Financial Information in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA and the directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the financial statements of TEL, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, gives a true and fair view of the results of TEL for the period from 22 May 2012 (date of incorporation) to 20 June 2012 and of the assets and liabilities of TEL as at 20 June 2012.

I. FINANCIAL INFORMATION

Statement of comprehensive income

Period from 22 May 2012 (date of incorporation) to 20 June 2012

	<i>Notes</i>	<i>HK\$</i>
TURNOVER	5	—
<i>Less:</i> Administrative expenses		—
Other operating expenses		—
Finance costs		—

PROFIT/LOSS BEFORE TAXATION	6	—
Taxation charge	8	—

NET PROFIT/LOSS FOR THE PERIOD		—
Other comprehensive income		—

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		—
		=====
BASIC PROFIT/LOSS PER SHARE	9	—
		=====

Statement of financial position**As at 20 June 2012**

	<i>Notes</i>	<i>HK\$</i>
ASSETS AND LIABILITIES		
NON-CURRENT ASSET		
Deposits paid for investment properties	<i>12</i>	<u>12,850,000</u>
CURRENT ASSET		
Cash balance		<u>8</u>
CURRENT LIABILITY		
Amount due to the sole director/shareholder	<i>10</i>	<u>12,850,000</u>
NET CURRENT LIABILITIES		<u>(12,849,992)</u>
NET ASSETS		<u><u>8</u></u>
EQUITY		
Share capital	<i>11</i>	8
Retained earnings/accumulated losses		<u>—</u>
TOTAL EQUITY		<u><u>8</u></u>

Statement of changes in equity**Period from 22 May 2012 (date of incorporation) to 20 June 2012**

	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 11</i>	8	—	8
Total comprehensive income for the Relevant Period	<u>—</u>	<u>—</u>	<u>—</u>
Balance at 20 June 2012	<u><u>8</u></u>	<u><u>—</u></u>	<u><u>8</u></u>

Statement of cash flows

Period from 22 May 2012 (date of incorporation) to 20 June 2012

	<i>Notes</i>	<i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss before taxation	6	—
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	12	(12,850,000)
		<hr/>
NET CASH USED IN INVESTING ACTIVITY		<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of one ordinary share	11	8
Advance from the sole director/shareholder	10	12,850,000
		<hr/>
NET CASH FROM FINANCING ACTIVITIES		<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		8
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		—
		<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		8
		<hr/> <hr/>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash balance		8
		<hr/> <hr/>

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

TEL is a 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 TEL is property investment.

The Financial Information is presented in Hong Kong dollars which is the functional currency and presentation currency of TEL.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and 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.

Judgments made by the sole director of TEL in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 on the Financial Information.

(a) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

(b) 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 as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. TEL'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 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the Relevant Period and at the end of each reporting 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 and the end of each reporting period.

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(c) Related parties

A party is considered to be related to TEL if:

- (1) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over TEL;
 - (ii) has significant influence over TEL; or
 - (iii) is a member of the key management personnel of TEL or of a parent of TEL;

or

- (2) the party is an entity where any of the following conditions applies:
 - (i) the entity and TEL are members of the same group;
 - (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and TEL 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 TEL or an entity related to TEL;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (1)(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).

(d) Impairment (other than intangible assets with indefinite useful lives)

At the end of the Relevant Period and the end of each reporting period, TEL reviews the carrying amounts of its 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(e) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans receivable and bank balances and cash) 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, other than those at FVTPL, are assessed for indicators of impairment at the end of the Relevant Period and the end of each reporting 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 impacted.

For all financial assets other than available-for-sale equity investment, 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.

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 with the exception of trade receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant 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.

Financial liabilities

Financial liabilities including trade and other payables, bills payable and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by TEL are recorded as the proceeds received, net of direct issue costs.

Derecognition

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

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

3. FINANCIAL RISK MANAGEMENT AND CRITICAL ACCOUNTING ESTIMATES

TEL's activities expose in a variety of financial risks, including interest rate risk, credit risk, foreign exchange risk, liquidity risk and fair value assessment. TEL's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on TEL's financial performance.

Interest rate risk — TEL is exposed to cash flow interest rate risk in relation to cash balance and amount due to the sole director/shareholder. In the opinion of the sole director of TEL, TEL is not exposed to significant interest rate risk.

Credit risk — In the opinion of the sole director of TEL, TEL is not exposed to significant credit risk.

Foreign exchange risk — TEL is not exposed to significant foreign exchange risk.

Liquidity risk — TEL's exposure to liquidity risk is the continuous financial support from the existing shareholder of TEL and the new shareholder, Kingbest Capital Holdings Limited (further details are set out in Note 13 on the Financial Information). The existing and new shareholders confirmed their willingness to support TEL with sufficient cash and financial support to meet the daily operation requirements within the next twelve months from 20 June 2012, thus the exposure to liquidity risk is minimal.

Fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

4. ADOPTION OF NEW AND/OR AMENDED HKFRSs

At the date of issue of this Financial Information, certain new and/or amended HKFRSs have been published but are not yet effective, and have not been adopted early by TEL. The sole director of TEL anticipates that all of the pronouncements will be adopted in TEL's accounting policies for the first period beginning after the effective date of the pronouncements but are not expected to have a material impact on TEL's Financial Information.

5. TURNOVER

TEL has no turnover during the Relevant Period.

6. PROFIT/LOSS BEFORE TAXATION

There are no supporting documents provided by the sole director/shareholder of TEL as to verify the quantum of formation expense and solicitors' fees incurred by TEL. Further, TEL has incurred HK\$2,000 as cost for the transfer of the equity rights for certain units of the properties as mentioned in note 12 on the Financial Information. 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.

7. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES**(i) Director's remuneration**

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

(ii) Employees' remuneration

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

8. TAXATION

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

9. 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 share in existence during the Relevant Period.

10. AMOUNT DUE TO SOLE DIRECTOR/SHAREHOLDER

The amount due to sole director/shareholder is unsecured and interest-free. As mentioned in note 13 on the 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.

11. SHARE CAPITAL

20 June 2012
HK\$

Authorised:

50,000 ordinary shares of US\$1.00 each	390,000
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Issued and fully paid:

One ordinary share of US\$1.00 each	8
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TEL was incorporated on 22 May 2012 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. On 11 June 2012, 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 TEL's authorised, issued, and fully paid share capital during the Relevant Period.

12. CAPITAL COMMITMENTS

During the Relevant Period, TEL entered into two sale and purchase agreements and two provisional agreements (including one supplementary agreement attached to one of the provisional agreements) (the "Property Purchase Agreements") with four different vendors for the acquisition of the following properties at a total cash consideration of HK\$179,900,000.

- First Floor of Number 14 Inverness Road, Kowloon Tong, Kowloon, Hong Kong ("Property-A");
- Second Floor of Number 14 Inverness Road, Kowloon Tong, Kowloon, Hong Kong ("Property-B");
- Basement of Number 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong ("Property-C"); and
- Ground Floor, First Floor and Second Floor of Number 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong ("Property-D").

At the time for completion of the Property Purchase Agreements, there are tenancy agreements in force for Property-B and Property-D and licence agreement in force for Property-C.

As at 20 June 2012, TEL had paid total deposits of HK\$12,850,000 to the vendors pursuant to the Property Purchase Agreements. Upon completion of all the Property Purchase Agreements on or before 31 August 2012, TEL will have to pay the remaining balance of the consideration in the sum of HK\$167,050,000 to the vendors and require to settle stamp duty of HK\$7,645,850 for completion of the transactions. Details of the subsequent settlements of progressive deposits are detailed in Note 16 on the Financial Information.

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

13. SHARE SALE AGREEMENT

As at 20 June 2012, the sole shareholder of TEL has entered into an agreement with Kingbest Capital Holdings Limited ("Kingbest"), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company to sell his entire share holding and entire loan in TEL to Kingbest at a total cash consideration of HK\$61,750,000.

14. RELATED PARTY TRANSACTIONS

TEL had no other transactions with related parties during the Relevant Period.

15. CAPITAL MANAGEMENT

TEL's capital management objectives are to ensure that TEL's ability to continue as a going concern; and to provide an adequate return for shareholder(s) by investment in properties commensurate with the level of risks. TEL actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder(s) returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

TEL monitors capital structure on the basis of the net debt-to-equity ratio. This ratio is calculated as net debts (total interest-bearing debts net of cash and cash equivalents) over total equity. TEL's capital management strategy is to maintain the net debt-to-equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by TEL, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure TEL has a reasonable level of capital to support its business. TEL relies on internal resources to finance the capital expenditures for the acquisition of investment properties.

Further, the existing shareholder of TEL and the new shareholder, Kingbest confirmed their willingness to provide sufficient cash and equity support to meet the daily operation requirements to maintain TEL as a going concern for the coming twelve months from 20 June 2012.

16. EVENTS AFTER RELEVANT PERIOD

- (a) No audited financial statements have been prepared in respect of any period subsequent to 20 June 2012.
- (b) Subsequent to the Relevant Period on 25 June 2012, Kingbest paid further deposits totaling HK\$13,700,000 to two vendors in accordance with the provisional agreements (including one supplementary agreement attached to one of the provisional agreements).
- (c) Subsequent to the Relevant Period on 29 June 2012, Kingbest paid stamp duty totaling HK\$7,645,850 for all the properties disclosed in note 12 on the Financial Information.
- (d) Subsequent to the Relevant Period on 6 July 2012, TEL entered into a formal agreement with one of the vendors for Property-C. Included in the aforesaid agreement, TEL has the option to terminate the agreement with the vendor if the solicitor of TEL is in the opinion that the properties of First Floor and the Second Floor of No. 14 Inverness Road; and the basement, the Ground Floor, the First Floor, the Second Floor and the roof of No. 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong (hereafter collectively named as "Properties") to be acquired by TEL are less than 80% total equity right on all the properties located at Nos. 14-16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong because the undivided shares of the Properties have incomplete or defect property titles.
- (e) Subsequent to the Relevant Period on 9 July 2012, TEL entered into a formal agreement with one of the vendors for Property-A. Included in the aforesaid agreement:
 - (i) TEL has the option to terminate the agreement or independently purchase such properties with the vendor on or before 17 August 2012 if TEL is not able to complete the Property Purchase Agreements to acquire not less than 80% total equity right on all the properties located at Nos. 14-16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. If agreement to purchase Property-A has been terminated on or before 17 August 2012, for the abovementioned reason, the vendor is required to refund all the deposits to TEL, except for the initial deposit of HK\$500,000.
 - (ii) The vendor is allowed to use Property-A for a period of 180 days from the completion date of 17 August 2012 with an escrow amount of HK\$100,000 as guarantee sum to be deducted from the remaining balance to be settled with the vendor on completion date. The escrow money will be kept at the vendor's solicitor account until the vendor hand over the vacancy possession to TEL.
- (f) Upon execution of the formal agreements mentioned in paragraphs (d) and (e) above, TEL has preliminary obtained a total equity rights exceeding 80% on all properties located at Nos. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong and is pending for the completion of the Property Purchase Agreements on 17 and 31 August 2012.

Yours faithfully,

Cosmos CPA Limited
Certified Public Accountants

NG Lai Man Carmen
Practising Certificate Number P03518

Hong Kong
19 July 2012

APPENDIX III
**UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES OF THE ENLARGED GROUP**
**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP**

The following is an illustrative and unaudited pro forma statement of assets and liabilities 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 has taken place on 31 March 2012.

This unaudited pro forma statement of assets and liabilities 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 financial position of the Group had the Acquisition been completed as at 31 March 2012 or at any future date.

	The Group	TEL	Pro forma adjustments		Pro forma
	at 31 March 2012 HK\$'000 (Audited) Note 1	at 20 June 2012 HK\$'000 (Audited) Note 2	HK\$'000 Note 3	HK\$'000 Note 4	total for the Enlarged Group HK\$'000 (Unaudited)
Non-current assets					
Property, plant and equipment	62,379	—	—	—	62,379
Investment properties	1,632,626	—	—	—	1,632,626
Available-for-sale investments	35,530	—	—	—	35,530
Loans receivable	5,725	—	—	—	5,725
Deposits paid for acquisition of investment properties	18,000	12,850	(12,850)	—	18,000
Properties held for development for sale	—	—	12,850	48,900	61,750
Deferred tax assets	15,241	—	—	—	15,241
	<u>1,769,501</u>	<u>12,850</u>	<u>—</u>	<u>48,900</u>	<u>1,831,251</u>
Current assets					
Properties held for development for sale	344,256	—	—	—	344,256
Properties held for sale	186,757	—	—	—	186,757
Investments held for trading	149,009	—	—	—	149,009
Trade and other receivables	31,031	—	—	—	31,031
Loans receivable	53,721	—	—	—	53,721
Bank balances and cash	403,369	—	—	(61,750)	341,619
	<u>1,168,143</u>	<u>—</u>	<u>—</u>	<u>(61,750)</u>	<u>1,106,393</u>
Current liabilities					
Trade and other payables	58,768	12,850	—	(12,850)	58,768
Bills payable	3,687	—	—	—	3,687
Tax payable	39,321	—	—	—	39,321
Secured bank borrowings	17,308	—	—	—	17,308
	<u>119,084</u>	<u>12,850</u>	<u>—</u>	<u>(12,850)</u>	<u>119,084</u>
Net current assets (liabilities)	<u>1,049,059</u>	<u>(12,850)</u>	<u>—</u>	<u>(48,900)</u>	<u>987,309</u>
	<u>2,818,560</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,818,560</u>
Non-current liabilities					
Deferred tax liabilities	166,436	—	—	—	166,436
Secured bank borrowings	361,471	—	—	—	361,471
	<u>527,907</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>527,907</u>
Net assets	<u>2,290,653</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,290,653</u>

Notes:

1. The figures are extracted from the consolidated statement of financial position of the Group as at 31 March 2012, as set out in the published audited annual report of the Company for the year ended 31 March 2012.
2. The figures are extracted from the accountants' report of TEL for the period from 22 May 2012 (date of incorporation) to 20 June 2012 prepared by Cosmos CPA Limited, as set out in Appendix II to this circular.
3. The adjustment represents reclassification of the deposits paid for acquisition of investment properties to properties held for development for sale since the Group intends to redevelop the properties for sale in the ordinary course of business, which are classified as non-current assets as the redevelopment is expected to commence after more than twelve months from 31 March 2012.
4. The adjustments represent (i) the cash payment of the consideration of HK\$48,900,000 for the acquisition of the entire issued share capital of TEL; and (ii) the cash payment of HK\$12,850,000 for the assignment of the shareholder's loan of TEL outstanding as at 20 June 2012. The directors of the Company consider that the transaction is an acquisition of assets and thus, the total consideration paid by the Group of HK\$61,750,000 represents payment for acquisition of properties held for development for sale, which are capitalised and included therein.
5. After the Acquisition, the Enlarged Group will be responsible for paying the balance of the purchase price of HK\$167,050,000 and estimated stamp duty together with other direct cost of HK\$7,946,000 at the dates of completion of the Property Purchase Agreements. As a result, the Group's properties held for development for sale will further increase by HK\$174,996,000. Also, rental deposits of HK\$317,000 in relation to the existing tenancy agreements of the Properties will be transferred from the Property Vendors to the Group. The Group's bank balance will decrease by HK\$174,679,000.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2012.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA
STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP****TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS
LIMITED**

We report on the unaudited pro forma statement of assets and liabilities of Easyknit International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital and shareholder’s loan of Total Expect Limited at a total consideration of HK\$61,750,000 might have affected the statement of assets and liabilities presented, for inclusion in Section A of Appendix III to the circular dated 19 July 2012 (the “Circular”). The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out in Section A of Appendix III to the Circular.

**Respective responsibilities of directors of the Company and reporting
accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of assets and liabilities 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 statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of assets and liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of assets and liabilities is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2012 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company 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 statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 July 2012

*The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from **Vigers Appraisal & Consulting Limited**, an independent valuer, in connection with their valuation of the property as at 20 June 2012.*

Vigers Appraisal & Consulting Limited*International Asset Appraisal Consultants*

10th Floor, The Grande Building

398 Kwun Tong Road

Kwun Tong

Kowloon



19 July 2012

The Directors

Easyknit International Holdings Limited

7/F., Hong Kong Spinners Building, Phase 6

481-483 Cheung Sha Wan Road

Kowloon

Hong Kong

Dear Sirs,

Re: 1st Floor and 2nd Floor, No. 14 Inverness Road; and Basement, Ground, 1st Floor and 2nd Floor and the Roof, No. 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong

In accordance with your instructions for us to value the above property interests to be acquired by Easyknit International Holdings Limited or its subsidiary (hereinafter together referred to as “the Company”), we confirm that we have inspected the property, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of values of the property as at 20 June 2012 (“the Valuation Date”).

Our valuations are our opinion of market value of the property which is defined as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuations have been prepared in accordance with “The HKIS Valuation Standards on Properties (First Edition 2005)” published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations have been made on the assumption that the property is sold in the market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property.

We have valued the property by direct comparison approach with reference to market comparables with due allowances for the differences between the comparables and the property.

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

We have last inspected the exterior of the property on 18 June 2012 but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the property is free from any structural or non-structural defect.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, occupancy, tenancy status, tenure, site and floor areas. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and we have been advised by the Company that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property is free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the values of the property.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal AND Consulting Limited
Gilbert K. M. Yuen
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.

VALUATION CERTIFICATE

Property to be acquired by the Company for Investment in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 20 June 2012																																	
1st Floor and 2nd Floor, No. 14 Inverness Road; and Basement, Ground, 1st Floor and 2nd Floor and the Roof, No. 16 Inverness Road, Kowloon Tong, Kowloon	<p>The property comprises two units of No. 14 Inverness Road i.e. 1st Floor and 2nd Floor and four units of No. 16 Inverness Road i.e. Basement, Ground, 1st Floor and 2nd Floor and the Roof.</p> <p>No. 14 and No. 16 are two connected domestic tenement buildings, each of which consists of 3 storeys over a basement. The buildings were completed in 1955.</p> <p>The approximate saleable area of each unit in the buildings is shown below:</p>	According to the information provided by the Company, the subject units are either leased or being owner-occupied, which are summarized in Note 6 below.	<p>i. The existing use value of the 6 units subject to the existing tenancies — HK\$100,580,000</p> <p>ii. The site value of the 100% interests with vacant possession — HK\$295,000,000</p> <p>iii. The site value with vacant possession attributable to the 6 units — HK\$239,476,000</p>																																	
2/3rd parts or shares of and in The Remaining Portion of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587 (for No. 14 Inverness Road)	<p>No. 14 Inverness Road</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Basement</td> <td>73.76</td> <td>794</td> </tr> <tr> <td>Ground</td> <td>165.92</td> <td>1,786</td> </tr> <tr> <td>1st</td> <td>165.92</td> <td>1,786</td> </tr> <tr> <td>2nd</td> <td>165.92</td> <td>1,786</td> </tr> </tbody> </table> <p>No. 16 Inverness Road</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Basement</td> <td>71.16</td> <td>766</td> </tr> <tr> <td>Ground</td> <td>165.92</td> <td>1,786</td> </tr> <tr> <td>1st</td> <td>165.92</td> <td>1,786</td> </tr> <tr> <td>2nd</td> <td>165.92</td> <td>1,786</td> </tr> <tr> <td>(Roof)</td> <td>(133.41)</td> <td>(1,436)</td> </tr> </tbody> </table>	Floor	sq.m.	sq.ft.	Basement	73.76	794	Ground	165.92	1,786	1st	165.92	1,786	2nd	165.92	1,786	Floor	sq.m.	sq.ft.	Basement	71.16	766	Ground	165.92	1,786	1st	165.92	1,786	2nd	165.92	1,786	(Roof)	(133.41)	(1,436)		
Floor	sq.m.	sq.ft.																																		
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3/3rd parts or shares of and in Section C of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587 (for No. 16 Inverness Road)	<p>The two buildings are erected on contiguous lots with a total registered site area of 8,441.5 sq.ft. (784.24 sq.m.). The breakdown is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>No. 14</td> <td>392.49</td> <td>4,224.75</td> </tr> <tr> <td>No. 16</td> <td>391.75</td> <td>4,216.75</td> </tr> </tbody> </table> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance.</p> <p>The government rent is equivalent to 3% of the rateable value for the time being of the property.</p>		sq.m.	sq.ft.	No. 14	392.49	4,224.75	No. 16	391.75	4,216.75																										
	sq.m.	sq.ft.																																		
No. 14	392.49	4,224.75																																		
No. 16	391.75	4,216.75																																		

Notes:

1. The registered owners of the property are as the followings:

First Floor, No. 14 Inverness Road	—	Chan Soo Mui
Second Floor, No. 14 Inverness Road	—	Art-Tech Fashion Knitting And Embroidery Company Limited
Basement, No. 16 Inverness Road	—	Chan Chi Wan and Tsang So Kuen (Joint Tenants)
Ground Floor, No. 16 Inverness Road	—	Maghull Enterprises Company Limited
1st Floor, No. 16 Inverness Road	—	Maghull Enterprises Company Limited
2nd Floor and the Roof, No. 16 Inverness Road	—	Maghull Enterprises Company Limited
2. The units of No. 14 Inverness Road are subject to a Deed of Mutual Covenants registered vide Memorial No. UB238364 dated 6 May 1955;
3. The units of No.16 Inverness Road are subject to a Deed of Covenants and Sub-Deed of Mutual Covenants registered vide Memorial No. UB637472 dated 3 August 1968;
4. Basement and the Ground Floor, No. 16 Inverness Road are subject to Sub-Deed of Mutual Covenants registered vide Memorial No. UB3481693 dated 16 June 1987;
5. Basement, No. 16 Inverness Road is subject to a Mortgage in favour of Bank of China (Hong Kong) Limited registered vide Memorial No. 8694321 dated 13 May 2002;
6. The occupation and leasing status of the subject units are as follows:

Premises	Occupation/ Lease Status	Monthly Rent	Remarks
First Floor, No. 14 Inverness Road	Owner occupied	N/A	—
Second Floor, No. 14 Inverness Road	Unit A 1 February 2012 — 31 January 2014	Unit A HK\$12,600	Both with 3 months early termination break clause
	Unit B 1 November 2011 — 31 October 2013	Unit B HK\$17,100	—
Basement, No. 16 Inverness Road	Owner occupied	N/A	The current owner will be licensed to occupy the unit after the assignment until 24 February 2013, during the licence period(s), no rental is to be paid by the current owner but is responsible for outgoings including rates and government rent
Ground and 1st Floors, No. 16 Inverness Road	22 October 2011 — 21 October 2013	HK\$63,000	3 months redevelopment break clause
2nd Floor and the Roof, No. 16 Inverness Road	Unit A 15 August 2011 — 14 August 2013	Unit A HK\$12,000	—
	Unit B 1 June 2011 — 31 May 2013	Unit B HK\$13,500	—

7. The Government Lease of New Kowloon Inland Lot No. 1587 contains inter alia the following restrictions on the development of the lot:

“And will not except with the consent of the Governor in Council previously obtained erect or cause or permit to be erected upon the said piece or parcel of ground (hereinafter referred to as “the said ground”) more than six houses And will not erect or cause or permit to be erected upon the said ground any buildings other than detached or semi-detached houses of European type And will submit the design of the exterior elevations plans and disposition of any building erected or intended to be erected on the said ground for the special approval of His said Majesty’s Director of Public Works (hereinafter referred to as “the said Director”) and will obtain the said Director’s approval thereof And will not make any alternation or addition to any buildings after plans thereof have been approved by the said Director previously obtained erect or cause or permit to be erected any building exceeding a height of thirty five feet”.

8. The property is zoned “Residential (Group C) 9” on the Kowloon Tong Outline Zoning Plan No. S/K18/6 dated 8 December 2009.

According to the explanatory note attached to the Outline Zoning Plan, on land designated “Residential (Group C) 9”, no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment of an existing building in excess of a maximum plot ratio of 3.0 and the maximum number of storeys of 8 or the plot ratio and height of the existing building, whichever is the greater. On land designated for “Residential (Group C) 9”, in determining the relevant maximum number of storeys, any basement floor(s) may be disregarded.

9. No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
10. There are no conditions stipulated in the Government Lease of the property as to the construction of roadways, pathway, drainage, sewage and other facilities or services for public uses.
11. In assessing the site value of the 100% interests, we have taken into consideration of the existing Government Lease conditions. No account has been taken into the possible modification of Government Lease to allow for the higher plot ratio and the necessity payment of land premium.
12. The existing use value is the value of the property under the existing states and use which does not reflect the future development potential. The site value with vacant possession reflects the value with redevelopment potential on the land with the existing building on vacant possession basis.
13. According to the information provided by the Company, the leasing status on the roof of No. 14 Inverness Road is as follows:—

Property	Tenancy Period	Monthly Rental Fees
Room 1	1 December 2011 - 31 May 2012	HK\$800
Room 2	1 February 2012 - 31 July 2012	HK\$840
Room 3	1 April 2012 - 30 September 2012	HK\$1,080
Room 5	1 December 2011 - 31 May 2012	HK\$780
Room 7	1 January 2012 - 30 June 2012	HK\$720
Room 8	1 November 2011 - 30 April 2012	HK\$1,080

14. In assessing the site value attributable to the 6 units, we have apportioned the 100% site value in accordance with the proportion of the existing value of the property to the total existing value of all the units in the buildings currently erected on the subject lots, which is assessed to be HK\$123,900,000. No allowance has been given to the possible costs, which are required for the amalgamation of the 100% shares of the subject lots either by private negotiation or by the compulsory sale order under Land (Compulsory Sale For Redevelopment) Ordinance Cap 545.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

(i) *Interests in the Company*

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

Name of director	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interests
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note i</i>)	46,609,144	58.69%
Ms. Koon Ho Yan Candy (<i>note ii</i>)	Beneficiary of a trust	29,179,480	36.74%

Notes:

- (i) Out of 46,609,144 Shares, 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The other 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 Hang Seng Bank Trustee International Limited 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) 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 corporations

— *Easyknit Enterprises*

Name of director	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interests
Ms. Lui Yuk Chu	Beneficiary of a trust (note iii)	398,450,671	61.47%
Ms. Koon Ho Yan Candy (note iv)	Beneficiary of a trust	398,450,671	61.47%

Notes:

- (iii) Out of 398,450,671 shares, 174,592,987 shares are registered in the name of and are beneficially owned by Landmark Profits Limited, a wholly-owned subsidiary of the Company. The remaining 223,857,684 shares are held by Goodco Development Limited, a wholly-owned subsidiary of the Company. As such, Easyknit Properties Holdings Limited which owns the entire issued share capital of Goodco Development Limited is deemed to be interested in the same 223,857,684 shares. The Company is the owner of the entire issued share capital of Easyknit Properties Holdings Limited. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of the Company and is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of the Company and is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (iv) 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.

— *Wellmake Investments Limited (“Wellmake”) (note v)*

Name of director	Capacity	Number of non-voting deferred shares	Approximate percentage of interests
Ms. Lui Yuk Chu	(note vi)	2	100%

Notes:

- (v) All the issued ordinary shares in the share capital of Wellmake which carry voting rights are held by the Company.

- (vi) One non-voting deferred share is held by Ms. Lui Yuk Chu as beneficial owner and the other one is held by her spouse, Mr. Koon Wing Yee.

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) 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 Enlarged Group other than contracts expiring or determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

(c) As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group; and
- (ii) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Enlarged Group.

(d) Directors' interests in competing business

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

3. SUBSTANTIAL SHAREHOLDERS

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 ordinary shares held (long position)	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	46,609,144	58.69%
Sea Rejoice Limited	<i>i & ii</i>	Beneficial owners	17,429,664	21.95%
Magical Profits Limited	<i>i & ii</i>	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited	<i>i & iii</i>	Trustee	29,179,480	36.74%
Hang Seng Bank Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
The Hongkong & Shanghai Banking Corporation Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK)	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Finance (Netherlands)	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%

Name of Shareholder	Note	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
HSBC Holdings plc	iii	Interest of controlled corporation	29,179,480	36.74%

Notes:

- (i) Out of 46,609,144 Shares, 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The other 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 Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and 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) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

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.

4. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was 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 member of the Enlarged Group:

- (i) the claims against Lau Kwong Wing and Cheng Lai Yin by Chief Access Limited, a wholly-owned subsidiary of the Company, for, among other things, loss and damages of HK\$1,397,648.08 in aggregate suffered by Chief Access Limited as a result of contractual breach of sale and purchase agreements in respect of the property at Rear Portion of First Floor, Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong by Lau Kwong Wing and Cheng Lai Yin.

5. MATERIAL CONTRACTS

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

- (a) the binding provisional sale and purchase agreement dated 21 September 2010 entered into between Goldchamp International Limited, a wholly-owned subsidiary of the Company, as vendor, Fine View Corporation Limited as purchaser and Midland Realty International Limited as agent in relation to the disposal of a residential property being House No. 11 and the garden appurtenant thereto and car parking spaces nos. 11A & 11B Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a consideration of HK\$88,500,000, in respect of which the assignment was dated 28 January 2011;
- (b) the underwriting agreement dated 4 January 2011 entered into between Easyknit Enterprises and Kingston Securities Limited in relation to the underwriting and certain other arrangements in respect of the rights issue of 183,562,225 rights share at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two shares held;
- (c) the conditional undertaking letter dated 4 January 2011 (“2011 Undertaking”) executed by Landmark Profits Limited, a wholly-owned subsidiary of the Company, in favour of Easyknit Enterprises and Kingston Securities Limited in relation to the allotment and issue of 183,562,225 new shares of Easyknit Enterprises under an offer by way of rights to holders of shares in Easyknit Enterprises at HK\$0.35 per rights share on the basis of one Easyknit Enterprises rights share for every two shares in Easyknit Enterprises held (“2011 Easyknit Enterprises Rights Issue”) on the record date of the 2011 Easyknit Enterprises Rights Issue pursuant to which Landmark Profits Limited conditionally undertook, inter alia, that the shares in Easyknit Enterprises held by it on the date of the 2011 Undertaking would remain registered in its name as at 4:00 p.m. on the record date of the 2011 Easyknit Enterprises Rights Issue (i.e. 10 February 2011) and that the Easyknit Enterprises rights shares to be provisionally allotted to Landmark Profits Limited in respect of such shares in Easyknit Enterprises (being 58,197,662 Easyknit Enterprises rights shares) would be taken up and paid for in full by Landmark Profits Limited;
- (d) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Leung Oi Lin as vendor in relation to the acquisition of a property being the Second Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$13,300,000;
- (e) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chan Man Wah as vendor in relation to the acquisition of a property being the Second Floor of Block A of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$10,000,000;

- (f) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chuang Yung Hua and Lam Shun Ling Pion as vendors in relation to the acquisition of a property being the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$7,000,000;
- (g) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Friendly Bright Development Limited as vendor in relation to the acquisition of properties being the Ground Floor of Block A, First Floor of Block A, Ground Floor of Block B and Ground Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$83,000,000;
- (h) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Phuong Ngoc Hoa as vendor in relation to the acquisition of a property being the First Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$18,000,000;
- (i) the formal sale and purchase agreement dated 9 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Leung Oi Lin as vendor in relation to the acquisition of a property being the Second Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$13,300,000;
- (j) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chan Man Wah as vendor in relation to the acquisition of a property being the Second Floor of Block A of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$10,000,000;
- (k) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chuang Yung Hua and Lam Shun Ling Pion as vendors in relation to the acquisition of a property being the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$7,000,000;
- (l) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Friendly Bright Development Limited as vendor in relation to the acquisition of properties being the Ground Floor of Block A, First Floor of Block A, Ground Floor of Block B and Ground Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$83,000,000;

- (m) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Phuong Ngoc Hoa as vendor in relation to the acquisition of a property being the First Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$18,000,000;
- (n) the renewal of tenancy agreement dated 15 June 2011 entered into between Easyknit Global Company Limited, a wholly-owned subsidiary of Easyknit Enterprises, as tenant and Wellmake Investments Limited, a wholly-owned subsidiary of the Company, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (o) the conditional agreement dated 12 September 2011 entered into between Goodco Development Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Park Jong Yong as vendor in respect of the purchase of 61,775,205 Easyknit Enterprises shares at for a consideration of HK\$18,532,561.50;
- (p) the formal sale and purchase agreement dated 14 December 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Profit Choice Enterprises Limited as vendor in relation to the acquisition of a property being at 2/F of Block D, 301, 301A-C Prince Edward Road West (also known as 2/F of 301C Prince Edward Road West) Kowloon, Hong Kong for a consideration of HK\$19,800,000;
- (q) the placing agreement dated 21 December 2011 entered into between Goodco Development Limited, a wholly-owned subsidiary of the Company, and Kingston Securities Limited, as the placing agent, to place 47,000,000 Easyknit Enterprises shares at a placing price of HK\$0.27 per share;
- (r) the provisional sale and purchase agreement dated 16 February 2012 entered into between Top Channel Enterprises Limited, a wholly-owned subsidiary of Easyknit Enterprises, as purchaser and vendors in relation to the acquisition of a property being the Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong for a consideration of HK\$180,000,000;
- (s) the provisional sale and purchase agreement dated 27 April 2012 entered into between Main Lucky Enterprises Limited (“Main Lucky”), a wholly-owned subsidiary of Easyknit Enterprises, as purchaser and Fung Yuet Ho as vendor in relation to the acquisition of a property being the 2/F of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$16,800,000;
- (t) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Chan Sun Sang Tony as vendor in relation to the acquisition of a property being the 3/F of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$16,700,000;

- (u) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Chan Kwai Sang and Chan Wai Ching Ivy as vendor in relation to the acquisition of a property being the 4/F of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$14,500,000;
- (v) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Lee Ho Yee and Chan Wai Pong as vendor in relation to the acquisition of a property being the 5/F of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$14,000,000;
- (w) the placing agreement dated 30 May 2012 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of Easyknit Enterprises at a placing price of HK\$0.141 per share;
- (x) the Property Purchase Agreements; and
- (y) the Agreement.

6. EXPERTS AND CONSENTS

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

Name	Qualification
Vigers Appraisal & Consulting Limited	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
Cosmos CPA Ltd	Certified Public Accountants
Altus Capital Limited (financial adviser in respect of working capital sufficiency statement)	a corporation licensed to carry out Types 4, 6 and 9 (advising on securities corporate finance and asset management) regulated activities under the SFO

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and
- (b) any shareholding in any member of the Enlarged 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 Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which it appears.

7. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field;
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong; and
- (d) The English text of this circular prevails over the Chinese text.

8. 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 Unit 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 letters of consent referred to in the paragraph headed "Experts and consents" above;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" above;
- (d) the accountants' report on TEL issued by Cosmos CPA Limited, the text of which is set out in Appendix II of this circular;
- (e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III of this circular;
- (f) the property valuation report prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix IV of this circular;
- (g) the annual reports of the Company for each of the three financial year ended 31 March 2010, 31 March 2011 and 31 March 2012;
- (h) the circular issued by the Company on 3 June 2011 in relation to the major transaction for the proposed acquisition of properties situated at Ground Floor to the Second Floor of Block A, Ground Floor to the First Floor of Block B; and Ground Floor to the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong at a total consideration of HK\$131,300,000;

- (i) the circular issued by the Company on 30 September 2011 in relation to (1) the major transaction involving the conditional share purchase from Mr. Park Jong Yong; and (2) the very substantial acquisition involving the possible mandatory conditional offer by Altus Investments Limited on behalf of the Company to purchase all the issued shares in the share capital of Easyknit Enterprises (other than those already owned or agreed to be acquired by the Company and parties acting in concert with it);
- (j) the composite offer document issued by the Company and Easyknit Enterprises dated 21 October 2011 relating to the mandatory conditional offer by Altus Investments Limited on behalf of the Company to purchase all the issued shares in the share capital of Easyknit Enterprises (other than those already owned or agreed to be acquired by the Company and parties acting in concert with it);
- (k) the circular issued by the Company on 16 January 2012 in relation to the major transaction involving the disposal of Easyknit Enterprises' shares by way of placing of 47,000,000 existing shares of Easyknit Enterprises which were held by Goodco Development Limited, a wholly-owned subsidiary of the Company;
- (l) the circular issued by the Company on 22 March 2012 in relation to the major transaction involving the acquisition of a property situated at Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong at a consideration of HK\$180,000,000 by Easyknit Enterprises;
- (m) the circular issued by the Company on 25 June 2012 in relation to the major transaction involving the acquisition of 4 properties situated at 2/F to 5/F of No. 15 Matheson Street, Causeway Bay, Hong Kong at a total consideration of HK\$62,000,000 by Easyknit Enterprises; and
- (n) this circular.