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

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



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 LISTED SECURITIES

* *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:

“Acquired Shares”	an aggregate of 774,735 HKEx Shares representing approximately 0.0671% of the entire issued share capital of HKEx at 31 May 2013, being 1,153,977,442 HKEx Shares
“Acquisitions”	the acquisitions of the Acquired Shares by the Group, details of which are set out in this circular
“Board”	the board of Directors
“Company” or “Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of Stock Exchange
“connected person”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of Easyknit International
“ELN”	an equity linked note issued by JPM to Land Bloom Holdings Limited, a wholly-owned subsidiary of Easyknit Enterprises
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of Stock Exchange and a non-wholly owned subsidiary of the Company
“Easyknit Enterprises Acquisition”	the acquisition on 28 June 2013 by Easyknit Enterprises, through a wholly-owned subsidiary, of 241,020 HKEx Shares on maturity of the ELN
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being a substantial shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Group”	the Company and its subsidiaries
“HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 388)
“HKEx Shares”	shares with a par value of HK\$1.00 each in the share capital of HKEx

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“JPM”	J.P. Morgan Structured Products BV
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being a substantial shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Latest Practicable Date”	31 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“major transaction”	the meaning ascribed thereto in the Listing Rules
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Easyknit International
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Tse Wing Chiu Ricky

*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

Independent Non-executive Directors:

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

1 August 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF LISTED SECURITIES

INTRODUCTION

As announced on 4 July 2013, the Group acquired the Acquired Shares in a series of transactions conducted during the period from 8 November 2012 to 28 June 2013 for an aggregate price of approximately HK\$100,370,000 (exclusive of transaction costs), including the value of approximately HK\$1,540,000 for 11,815 HKEx Shares taken up under the scrip dividend alternative plans of HKEx.

The Acquisitions in aggregate constituted a major transaction of Easyknit International. So far as Easyknit International is aware, having made all reasonable enquiries, no shareholder of Easyknit International has a material interest in, and would be required to abstain from voting on the resolution to approve the Acquisitions if Easyknit International were to convene a general meeting to approve the Acquisitions.

* for identification only

LETTER FROM THE BOARD

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of the Acquisitions (including the Easyknit Enterprises Acquisition) has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued Shares of Easyknit International.

THE ACQUISITIONS

The Board announced on 6 December 2012 a discloseable transaction constituted by the acquisition by the Group on-market of an aggregate of 231,900 HKEx Shares during the period from 8 November 2012 to 4 December 2012. Subsequently, Easyknit International's subsidiary Easyknit Enterprises, through a wholly-owned subsidiary, acquired on 28 June 2013 a total of 241,020 HKEx Shares for an aggregate consideration of approximately HK\$29,776,000 or HK\$123.54 per HKEx Share, excluding transaction costs, on maturity of the ELN.

As a result of further Acquisitions subsequent to the discloseable transaction announced on 6 December 2012, of the Easyknit Enterprises Acquisition and of elections by the Group to take up further HKEx Shares by way of scrip dividend under scrip dividend alternative plans of HKEx. The total number of HKEx Shares acquired by the Group during the period from 8 November 2012 to 28 June 2013 increased to 774,735, and they were acquired at prices between HK\$123.10 and HK\$145.90 per HKEx Share (exclusive of transaction costs), of which 11,815 HKEx Shares were taken up under the scrip dividend alternative plans of HKEx. The average price (exclusive of transaction costs) for the acquisition of each HKEx Share acquired by the Group during the period was approximately HK\$129.55. The aggregate purchase price of the Acquired Shares (exclusive of transaction costs) is approximately HK\$100,370,000, which was paid by the Group in cash, except for the value of approximately HK\$1,540,000 for 11,815 HKEx Shares taken up under the scrip dividend alternative plans of HKEx. The purchase price paid represented the then market price of the HKEx Shares and was paid from internal resources of the Group.

As the Acquisitions (except for the Easyknit Enterprises Acquisition and those that were scrip dividends) were made through the market, the Company was not aware of the identities of the sellers of the Acquired Shares (except in the Easyknit Enterprises Acquisition and those that were scrip dividends) and accordingly, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the sellers of the Acquired Shares are Independent Third Parties.

The vendor of the HKEx Shares on maturity of the ELN and the issuer of the ELN was JPM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, JPM and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

The ELN was acquired on 16 May 2013, and on maturity of the ELN on 28 June 2013, Easyknit International's subsidiary Easyknit Enterprises, through a wholly-owned subsidiary, acquired 241,020 HKEx Shares, representing approximately 0.0209% of the issued shares of HKEx based on 1,153,977,442 HKEx Shares in issue as at 31 May 2013 according to publicly available information. The terms of the ELN are summarised below:

Summary of ELN terms

Issue Price:	99.27% of the notional amount
Total Cost:	HK\$29,781,000
Trade Date:	16 May 2013
Issue Date:	30 May 2013
Final Valuation Date:	26 June 2013
Maturity Date:	28 June 2013

Consideration

The consideration of HK\$29,781,000 was paid to JPM on issue of the ELN and was satisfied in cash from internal resources of Easyknit Enterprises.

REASONS FOR AND BENEFITS OF THE ELN AND THE ACQUISITIONS

The Group's principal businesses are in property investments, property development, garment sourcing and exporting businesses, investment in securities and loan financing. The Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC.

Easyknit Enterprises is a subsidiary of Easyknit International. Easyknit Enterprises' principal businesses are property investments, garment sourcing and exporting businesses, investment in securities and loan financing.

Having considered the track record of HKEx and its recent performance, Easyknit International considers that the HKEx Shares are an attractive investment and can enhance the returns on cash for the Group, and Easyknit Enterprises considered that the ELN was an attractive investment and could enhance the returns on cash for it. Easyknit International expects to recognise in its consolidated accounts a loss of approximately HK\$1,583,000 on realisation of the ELN but the Directors believe that the HKEx Shares acquired are in themselves an attractive investment likely to yield attractive returns.

As the ELN and the Acquired Shares were acquired at market prices, the Directors (including the independent non-executive Directors) are of the view that the Acquisitions (including the Easyknit Enterprises Acquisition) are fair and reasonable, on normal commercial terms, and in the interests of Easyknit International and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON HKEx

According to publicly available information, HKEx is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 388). According to its company profile available on the internet, HKEx is the holding company of the Stock Exchange, Hong Kong Futures Exchange Limited and Hong Kong Securities Clearing Company Limited and brings together the market organisations which have transformed Hong Kong's financial services industry from a domestically focused market to become a central market place in Asia attracting investment funds from all over the world. HKEx was listed in June 2000 following the integration of Hong Kong's securities and derivatives markets. HKEx services comprise trading, clearing and settlement, depository and nominee services, and information services. Further information on HKEx can be found on the website of the Stock Exchange.

Based on the annual reports of HKEx for the two years ended 31 December 2011 and 31 December 2012 respectively, its net profits before and after taxation were approximately HK\$6,032 million and HK\$5,093 million for the year ended 31 December 2011; and HK\$4,845 million and HK\$4,084 million for the year ended 31 December 2012. It had total assets of HK\$54,028 million at 31 December 2011 and of HK\$80,837 million at 31 December 2012.

EFFECTS OF EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Acquisitions decreased the amount of cash of the Group by the amount of consideration paid for Acquisitions, except for the value of approximately HK\$1,540,000 for 11,815 HKEx Shares taken up under the scrip dividend alternative plans of HKEx. The Acquisitions are expected to have no material impact on the consolidated assets and the earnings of the Group.

ACQUISITION AND DISPOSAL OF HKEX SHARES IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS CIRCULAR

Save as aforesaid, the Group did not acquire or dispose of any HKEx Shares within the 12 months immediately preceding the date of this circular.

WRITTEN SHAREHOLDER'S APPROVAL

As certain size percentage ratios (as set out in Rule 14.07 of the Listing Rules) of the Acquisitions (when aggregated under Rule 14.22 of the Listing Rules) exceed 25% but are less than 100%, the Easyknit Enterprises Acquisition (when aggregated with the other Acquisitions) constituted a major transaction of Easyknit International under Chapter 14 of the Listing Rules. Accordingly, the Acquisitions are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as Easyknit International is aware, having made all reasonable enquiries, no shareholder of Easyknit International has a material interest in, and would be required to abstain from voting on the resolution to approve the Acquisitions if Easyknit International were to convene a general meeting for approving the Acquisitions.

LETTER FROM THE BOARD

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of the Acquisitions (including the Easyknit Enterprises Acquisition) has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of Easyknit International.

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

RECOMMENDATION

The Directors are of the view that the terms of the Acquisitions are fair and reasonable and the Acquisitions are in the interests of the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Acquisitions if a physical general meeting were to be convened.

ADDITIONAL INFORMATION

At the relevant time the Company believed that since all the acquisitions related to HKEx shares, after its announcement on 6 December 2012 no further announcement would be required under Chapter 14 of the Listing Rules unless and until the announced transactions were supplemented by further purchases, and became in aggregate a major transaction.

With the benefit of hindsight and independent advice, the Directors now accept that the Rules can also be interpreted so as to require the 2 transactions (i) between 31 December 2012 to 19 February 2013; and (ii) between 22 February 2013 to 16 April 2013 to be aggregated separately from those referred to in the announcement of 6 December 2012 and if that interpretation is applied each of them constituted a discloseable transaction.

The ELN is a "structured product" of the type described in Chapter 15A of the Listing Rules. Because of a misinterpretation of the Listing Rules, the Company considered that the ELN prima facie fell within Rule 14.72 (which applies to options) but that the provisions of Rule 14.74 (which apply to options the exercise of which is not at the listed issuer's discretion) did not apply to the ELN as it was a structured product under Chapter 15A of the Listing Rules and thus exempted by the note to Rule 14.72(1). The Company was subsequently advised that was not the case and that the Easyknit Enterprises Acquisition (when aggregated with the other Acquisitions) constituted a major transaction of Easyknit International.

LETTER FROM THE BOARD

The Directors regret that the Company inadvertently did not comply fully with certain requirements under Chapter 14 in that they failed to ensure the announcements and deliveries to the Stock Exchange that should have been in connection with these transactions were not made when they should have been made in compliance with Rules 14.34, 14.85, 2.07 and 2.07C and Practice Note 1.

To avoid future non-compliance, the Board has now determined that the Chairman and Chief Executive Officer has authority to approve investment/divestment proposal(s) only after a written confirmation from the department of the company secretary that the proposed investment/divestment does or does not constitute a notifiable transaction.

If the proposed investment/divestment does constitute a notifiable transaction, the Chairman and Chief Executive Officer further will direct the department of the company secretary to prepare an appropriate announcement for Board approval and prepare all compliance materials.

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

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
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 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the years ended 31 March 2011, 2012 and 2013. 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 its present available financial resources, the 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 30 June 2013, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$1,522.7 million, of which approximately HK\$1,355.5 million and HK\$167.2 million were guaranteed by the Company and Easyknit Enterprises respectively, and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$1,521.7 million and interests payable of approximately HK\$1.0 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 30 June 2013 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 adverse change to the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 March 2013, the Group's focused approach of developing unique properties tailoring to the need of specific market segment will enable it to maintain significant return from its property portfolio. The current low-interest rate is expected to fuel demand from households seeking to improve their living environment. Sales at project of Prince Edward Road West are expected to be booked during next financial year.

Because of the decrease in the import of garments by USA during the year, the market for garment export remains volatile and highly competitive. Under such market conditions, the Group expects continuing challenges for the garment sourcing and exporting businesses for the year 2013/14.

On front of securities investment business, the Board will stick to a prudent principle in its investment strategy focusing on investment vehicles which is relatively lower risks in order to secure stable returns at a minimal risk.

The Group will stay in alerted caution, solidify its financial and asset positions, and continue to intensify its investment in properties so as to transform the potential value of the investments into a shareholders' value, generating sustained revenue for the shareholders.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of 774,735 shares of Hong Kong Exchanges and Clearing Limited (the “HKEx Shares”) during the period from 8 November 2012 to 28 June 2013 for an aggregate consideration of approximately HK\$100,370,000, excluding transaction costs, (the “Acquisitions”) as if the Acquisition has taken place on 31 March 2013.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisitions been completed as at 31 March 2013 or at any future date.

	The Group at 31 March 2013 <i>HK\$'000</i> <i>(Audited)</i> <i>Note 1</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 2</i>	Pro forma total for the Group <i>HK\$'000</i> <i>(Unaudited)</i>
Non-current assets			
Property, plant and equipment	47,802	—	47,802
Investment properties	2,437,501	—	2,437,501
Available-for-sale investments	35,965	—	35,965
Loans receivable	31,927	—	31,927
Deposit and prepayments for a life insurance policy	9,709	—	9,709
	2,562,904	—	2,562,904
Current assets			
Properties held for development for sale	714,636	—	714,636
Properties held for sale	66,445	—	66,445
Investments held for trading	287,564	44,329	331,893
Trade and other receivables	28,269	—	28,269
Bills receivable	153	—	153
Loans receivable	56,447	—	56,447
Bank balances and cash	340,869	(42,846)	298,023
	1,494,383	1,483	1,495,866
Current liabilities			
Trade and other payables	56,868	—	56,868
Tax payable	29,940	—	29,940
Secured bank borrowings	30,878	—	30,878
	117,686	—	117,686
Net current assets	1,376,697	1,483	1,378,180
Total assets less current liabilities	3,939,601	1,483	3,941,084
Non-current liabilities			
Deferred tax liabilities	12,988	—	12,988
Secured bank borrowings	724,689	—	724,689
	737,677	—	737,677
Net assets	3,201,924	1,483	3,203,407

Notes:

1. The figures are extracted from the consolidated statement of financial position of the Group as at 31 March 2013, as set out in the published audited annual report of the Company for the year ended 31 March 2013.
2. 774,735 HKEx Shares acquired during the period from 8 November 2012 to 28 June 2013 included 421,900 HKEx Shares acquired during the year ended 31 March 2013. The adjustment represents the remaining 352,835 HKEx Shares acquired subsequent to 31 March 2013 till 28 June 2013 by way of the following:
 - (a) 241,020 HKEx Shares were acquired on maturity of an equity linked note, which was acquired in May 2013. Consideration of approximately HK\$29,776,000 and transaction costs of approximately HK\$30,000 were settled by cash. Details of these are set out in the circular of Easyknit Enterprises dated 31 July 2013.
 - (b) 100,000 HKEx Shares were acquired from the market at a total consideration of approximately HK\$13,013,000 and transaction costs of approximately HK\$27,000 which were settled by cash.
 - (c) 11,815 HKEx Shares were received as script dividend income with a fair value of approximately HK\$1,540,000 at the date of entitlement.
3. No adjustment has been made to remeasure the HKEx Shares acquired subsequent to 31 March 2013 as described in note 2 above to their fair values as at 31 March 2013 as the HKEx Shares were acquired after 31 March 2013.
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2013.

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 March 2013 and related notes as set out on pages II-1 and II-2 of the circular issued by the Company dated 1 August 2013 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 and II-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of 774,735 shares of Hong Kong Exchanges and Clearing Limited during the period from 8 November 2012 to 28 June 2013 for an aggregate consideration of approximately HK\$100,370,000, excluding transaction costs, (the “Acquisitions”) on the Group’s financial position as at 31 March 2013 as if the Acquisitions had taken place at 31 March 2013. As part of this process, information about the Group’s consolidated financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2013, on which an audit report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2013 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 August 2013

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 balance 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)	717,211,200	43.52%
Ms. Koon Ho Yan Candy (note iv)	Beneficiary of a trust	717,211,200	43.52%

Notes:

- (iii) 314,267,376 shares and 402,493,824 shares are registered in the name of and are beneficially owned by Landmark Profits and Goodco respectively, both companies are wholly-owned subsidiaries of the Company. 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 Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(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 Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (ii) none of the Directors was 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 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	<i>Note</i>	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 balance 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

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

5. MATERIAL CONTRACTS

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

- (a) the conditional agreement dated 12 September 2011 entered into between Goodco as purchaser and Mr. Park Jong Yong as vendor in respect of the purchase of 61,775,205 Easyknit Enterprises shares for a consideration of HK\$18,532,561.50;
- (b) 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;
- (c) the agreement dated 20 June 2012 entered into between Kingbest Capital Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser and Total Expect Limited as vendor, for the sale and purchase of total issued share capital of Total Expect Limited and its loan for a total consideration of HK\$228,800,000;
- (d) the placing agreement dated 18 July 2012 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of Easyknit Enterprises at a placing price of HK\$0.106 per share;
- (e) the underwriting agreement dated 15 August 2012 entered into between Easyknit Enterprises and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of Easyknit Enterprises at a subscription price of HK\$0.077 per rights share;
- (f) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of Easyknit Enterprises, as tenant and Wellmake Investments Limited, an indirect 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 for 3 years at a monthly rental at HK\$208,000;
- (g) the underwriting agreement dated 11 October 2012 entered into between Easyknit Enterprises and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;

- (h) the placing agreement dated 28 January 2013 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of Easyknit Enterprises at a placing price of HK\$0.44 per share; and
- (i) the underwriting agreement dated 5 April 2013 entered into between Easyknit Enterprises and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of rights issue of 1,235,824,000 rights shares at the subscription price of HK\$0.10 per rights shares.

6. EXPERT AND CONSENT

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

Name and Address	Qualification
Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong	Certified Public Accountants

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference 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 the legal field;

- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at 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 "Expert and Consent" above;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" above;
- (d) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix II to this circular;
- (e) the annual reports of the Company for each of the three financial year ended 31 March 2011, 31 March 2012 and 31 March 2013; and
- (f) this circular.