

---

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

---

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

**If you have sold or transferred** all your shares in Easyknit International Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the 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.

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

---



**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**

**PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTE  
OF EASYKNIT ENTERPRISES HOLDINGS LIMITED  
AND  
WHITEWASH WAIVER**

---

\* *for identification only*

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II — UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP</b> .....	II-1
<b>APPENDIX III — GENERAL INFORMATION</b> .....	III-1

---

## DEFINITIONS

---

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

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement to take place as set out in the paragraph headed “Conditions Precedent” in the letter from the Board of this circular
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Period”	the period during which the Noteholder may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the paragraph headed “Principal terms of the Convertible Note” in the letter from the Board of this circular
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Note, which is initially fixed at HK\$0.68 per Conversion Share and subject to adjustments (if any)
“Conversion Rights”	the conversion rights attached to the Convertible Note
“Conversion Share(s)”	the EE Share(s) to be allotted and issued by EE upon exercise of the Conversion Rights
“Convertible Note”	the convertible note in the principal amount of HK\$100,000,000 to be issued by EE to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company

---

## DEFINITIONS

---

“EE”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EE Board”	the board of directors of EE
“EE Directors”	the directors of EE
“EE Group”	EE and its subsidiaries
“EE Independent Shareholders”	the EE Shareholders, other than (i) the Subscriber and parties acting in concert with it; (ii) the EE Directors (excluding the independent non-executive EE Directors); (iii) the chief executive of EE and their respective associates; and (iv) EE Shareholders interested or involved in the Subscription Agreement and the Whitewash Waiver
“EE SGM”	the special general meeting of EE to be convened and held on 7 March 2014 for the purpose of considering, if thought fit, approving the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“EE Shareholder(s)”	holder(s) of EE Share(s)
“EE Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of EE
“Enlarged Group”	the Group as enlarged upon the completion of the Subscription
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Goodco” or the “Subscriber”	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 EE
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

---

## DEFINITIONS

---

“Issue Date”	the date of issue of the Convertible Note, which shall be on the date of completion of the Subscription Agreement
“Joint Announcement”	the joint announcement dated 16 January 2014 issued by the Company and EE
“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 EE
“Latest Practicable Date”	17 February 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the day that is five years after the first issue of the Convertible Note
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription of the Convertible Note by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 16 January 2014 entered into between EE and the Subscriber in relation to the Subscription and issue of the Convertible Note
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Target Project”	the acquisition and redevelopment of the Target Property and the buildings located at No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong

---

## DEFINITIONS

---

“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber and parties acting in concert with it (including but not limited to the Company and Landmark Profits) to make a mandatory general offer for all the securities of EE other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it (including but not limited to the Company and Landmark Profits) pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares
“%”	percent



**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 Directors:*

Mr. Tse Wing Chiu Ricky

Mr. Lai Law Kau

*Independent Non-executive Directors:*

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Hon Tam Chun

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Block A, 7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

20 February 2014

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**

**PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTE  
OF EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**AND**

**WHITEWASH WAIVER**

**INTRODUCTION**

Reference is made to the Joint Announcement. On 16 January 2014, Goodco and EE entered into the Subscription Agreement, pursuant to which, EE has conditionally agreed to issue, and Goodco has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000. Completion of the Subscription Agreement is subject to the Conditions Precedent. Terms of the Convertible Note are summarised in the paragraph headed “Principal terms of the Convertible Note” in this circular.

\* for identification only

---

## LETTER FROM THE BOARD

---

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but less than 100%, the Subscription Agreement (and the transactions contemplated therein) constitutes a major transaction for the Company under the Listing Rules. So far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve the Subscription Agreement if the Company were to convene a general meeting to approve the Subscription Agreement and the transactions contemplated therein.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval of the Subscription Agreement and the transactions contemplated therein have been obtained from Sea Rejoice Limited and Magical Profits Limited, which in aggregate hold approximately 58.7% of the issued share capital of the Company.

The purpose of this circular is to provide you with, among others, (i) details of the Subscription (including the Whitewash Waiver); (ii) financial information of the Group; and (iii) the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

### THE SUBSCRIPTION AGREEMENT

#### Parties to and date of the Subscription Agreement

Date: 16 January 2014 (after trading hours)

Parties: EE (as the issuer); and

Goodco (as the Subscriber), a wholly-owned subsidiary of the Company; and a substantial shareholder of EE.

#### Issue of the Convertible Note

Pursuant to the Subscription Agreement, EE has conditionally agreed to issue, and Goodco has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000, which will be issued on face value and settled entirely in cash.

#### Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following:

- (a) the EE Independent Shareholders having passed the ordinary resolution at the EE SGM to approve the Subscription Agreement and the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares and the Whitewash Waiver in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (b) the Executive having granted the Whitewash Waiver;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and



---

## LETTER FROM THE BOARD

---

- (d) all necessary consents and approvals other than the approvals referred to in the above Conditions Precedent (a) to (c) having been obtained by Goodco or EE in relation to the transactions contemplated under the Subscription Agreement.

None of the Conditions Precedent may be waived. If any of the Conditions Precedent has not been fulfilled on or before 31 March 2014 or such other date as may be agreed in writing by EE and Goodco, the Subscription Agreement will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Subscription Agreement.

### **Completion**

Subject to all the Conditions Precedent having been fulfilled, completion of the Subscription Agreement shall take place on the second Business Day after satisfying the conditions above, or such other date as may be agreed by EE and Goodco in writing. Upon completion of the Subscription Agreement, the net proceeds of the Convertible Note of HK\$98,700,000 will be used by EE for the acquisition and redevelopment of the Target Project.

### **PRINCIPAL TERMS OF THE CONVERTIBLE NOTE**

The principal terms of the Convertible Note are summarised below:

- Total issue price and principal amount upon issue : HK\$100,000,000
- Maturity Date : The date falling on the fifth anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interests, of the Convertible Note will become due and payable by EE to the Noteholder.
- Redemption price at maturity : 100% of the outstanding principal amount of the Convertible Note on the Maturity Date, together with all unpaid and accrued interest due on the outstanding principal amount of the Convertible Note.
- Early redemption : Save for the occurrence of any event of default as set out in the terms and conditions of the Convertible Note, the Noteholder will not be entitled to demand early repayment of the Convertible Note.
- Interest : The Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 2.0% per annum. Interest will be payable semi-yearly in arrears. In the event that EE does not pay any sum payable under the Convertible Note when due, a default interest at the rate of 5.0% per annum for the relevant default payment period will be payable by EE.

---

## LETTER FROM THE BOARD

---

The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the prevailing market conditions; and (ii) the indicative costs of mid-term/long-term debt finance (without any pledges and securities) preliminarily quoted to EE by its banks upon general enquiries.

Conversion Rights : A Noteholder will have the rights to convert the whole or part of the outstanding principal amount of a Convertible Note (in amount of not less than a whole multiple of HK\$10,000,000 on each conversion, unless the outstanding principal amount of the Convertible Note to be converted is less than HK\$10,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the Conversion Period (as detailed below) at the Conversion Price (subject to adjustments).

EE will not be obliged to issue any Conversion Shares if (i) immediately following the conversion, EE will be unable to meet the prescribed minimum public float requirement under the Listing Rules; or (ii) a mandatory general offer will be required to be made by the Noteholder and parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Conversion Period : The period from the date falling on the Issue Date up to and including the date falling on the fifth last Business Day prior to the Maturity Date.

Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued upon exercise of the Conversion Rights, shall rank pari passu in all respects with all other then issued EE Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

Transferability : No assignment or transfer (whether in whole or in part(s)) of the Convertible Note may be made unless it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the Noteholder.

Voting : The Noteholder will not be entitled to attend or vote at any meetings of EE by reason only of being the Noteholder.

---

## LETTER FROM THE BOARD

---

- Redemption : Save for occurrence of any events of default, the Convertible Note is not redeemable prior to the Maturity Date and EE will repay the outstanding principal amount of the Convertible Note, together with all unpaid interests accrued thereon, on the Maturity Date.
- Others : Upon execution of the Subscription Agreement, Goodco has undertaken not to exercise the Conversion Rights if it would result in (a) the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to EE; or (b) a mandatory general offer for the EE Shares being required to be made by the Subscriber and the parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Assuming that the Conversion Rights in relation to the total principal amount of the Convertible Note of HK\$100,000,000 are exercised in full at the Conversion Price of HK\$0.68 per Conversion Share, a total of up to 147,058,823 Conversion Shares will be allotted and issued, representing approximately 49.6% of the issued share capital of EE as at the date of this circular and approximately 33.1% of the issued share capital of EE as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the 147,058,823 Conversion Shares, there will be no change to the issued share capital of EE from the date of this circular up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights).

EE will seek a specific mandate from the EE Independent Shareholders for the allotment and issue of the Conversion Shares at the EE SGM. Application will be made by EE to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

---

## LETTER FROM THE BOARD

---

### Conversion Price

The initial Conversion Price is HK\$0.68 per Conversion Share, which will be subject to adjustments in the event of (i) change in nominal value of the EE Shares upon, among others, share consolidation, share subdivision and share re-classification; (ii) issue (other than in lieu of a cash dividend) of any EE Shares credited as fully paid by way of capitalisation of profits or reserves; (iii) capital distribution to the EE Shareholders or grant to the EE Shareholders of rights to acquire for cash assets of the EE Group; (iv) offer, or grant, by EE to the EE Shareholders of new EE Shares, or options or warrants to subscribe for new EE Shares, by way of rights at a price which is less than 90.0% of the relevant market price of the EE Shares; (v) issue of EE Shares or securities (the “**Relevant Convertible Securities**”) convertible into or exchangeable for or carrying rights of subscription for EE Shares for cash, or for acquisition of assets by the EE Group where the total effective price for the relevant EE Shares issued (for the case of issue of the Relevant Convertible Securities, including consideration receivable by EE for the Relevant Convertible Securities and any additional minimum consideration to be received by EE for the EE Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the Relevant Convertible Securities) is less than 90.0% of the relevant market price of those EE Shares.

The initial Conversion Price was determined by the parties after arm’s length negotiations and with reference to the historical prices during the last twelve months and the prevailing market prices of the EE Shares.

The initial Conversion Price represents:

- (i) a premium of approximately 6.3% over the closing price of HK\$0.64 per EE Share as quoted on the Stock Exchange at the Latest Practicable Date;
- (ii) a premium of approximately 15.3% over the closing price of HK\$0.59 per EE Share as quoted on the Stock Exchange on 16 January 2014, being the last trading day before the date of the Subscription Agreement;
- (iii) a premium of approximately 18.5% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 16 January 2014, being approximately HK\$0.57 per EE Share;
- (iv) a premium of approximately 19.9% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 16 January 2014, being approximately HK\$0.57 per EE Share;
- (v) a premium of approximately 8.0% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 16 January 2014, being approximately HK\$0.63 per EE Share;
- (vi) a discount of approximately 21.9% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for last six months up to and including 16 January 2014, being approximately HK\$0.87 per EE Share; and
- (vii) a discount of approximately 39.2% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for last twelve months up to and including 16 January 2014, being approximately HK\$1.12 per EE Share.

---

## LETTER FROM THE BOARD

---

Despite the initial Conversion Price represents a premium of approximately 15.3% over the closing price on the last trading day before the date of the Subscription Agreement, it also represents an approximately 78.7% discount to the consolidated net asset value of the EE Group of approximately HK\$3.19 per EE Share, which was derived based on the unaudited consolidated net assets of approximately HK\$948,811,000 as at 30 September 2013 (extracted from EE's interim report for the six months ended 30 September 2013) and 296,595,900 Shares in issue as at 31 December 2013 (extracted from the website of the Stock Exchange). In view of the discount between the initial Conversion Price and the consolidated net asset value per EE Share above, the Directors are of the view that the initial Conversion Price of HK\$0.68 is fair and reasonable to the Company and the Shareholders as a whole.

### SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of EE as at the Latest Practicable Date and immediately after the issue of 147,058,823 Conversion Shares assuming exercise in full of the Conversion Rights at the Conversion Price of HK\$0.68 per Conversion Share (based on the existing shareholding structure of EE and assuming that save for the issue of the 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of EE from the date of this circular up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights):

	<b>As at</b>		<b>Immediately after the issue</b>	
	<b>Latest Practicable Date</b>		<b>of 147,058,823 Conversion</b>	
	<i>(Note 1)</i>		<b>Shares to the Subscriber</b>	
	<i>Number of</i>	<i>Approximate</i>	<b>upon exercise in full of the</b>	
	<i>EE Shares</i>	<i>%</i>	<b>Conversion Rights at the</b>	
			<b>initial Conversion Price</b>	
			<i>(Note 1)</i>	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>EE Shares</i>	<i>%</i>	<i>EE Shares</i>	<i>%</i>
<b>Goodco and parties acting in concert with it</b>				
Goodco				
<i>(Notes 2 and 4)</i>	60,441,570	20.4	207,500,393	46.8
Landmark Profits				
<i>(Notes 3 and 4)</i>	47,140,104	15.9	47,140,104	10.6
Sub-total	107,581,674	36.3	254,640,497	57.4
<b>Public EE Shareholders</b>	189,014,226	63.7	189,014,226	42.6
<b>Total</b>	<u>296,595,900</u>	<u>100.0</u>	<u>443,654,723</u>	<u>100.0</u>

---

## LETTER FROM THE BOARD

---

### Notes:

1. The figures are derived based on the existing shareholding structure of EE and the assumption that save for the allotment and issue of 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of EE from the date of this circular up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights.
2. The entire issued share capital of the Subscriber is indirectly held by the Company.
3. The entire issued share capital of Landmark Profits is directly held by the Company.
4. Goodco and Landmark Profits are wholly-owned subsidiaries of the Company and are presumed to be acting in concert for the purpose of the Takeovers Code.

### Financial information of the EE Group

The EE Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing.

Based on the interim report of EE for the six months ended 30 September 2013, the unaudited net asset value of EE was approximately HK\$948.8 million. Set out below is certain financial information extracted from the latest annual report of EE:

	For the year ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue	223,756	286,916
Loss before taxation	(1,138)	(40,670)
Profit/(Loss) after taxation	4,695	(34,762)

### REASONS FOR THE SUBSCRIPTION

As mentioned in the Joint Announcement, EE intends to consolidate its ownership of the entire buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site. This will entail acquiring the Target Property, the five residential units at 13 Matheson Street, as well as the entire block of 11 Matheson Street from third parties who are independent of (i) EE; and (ii) connected persons of EE. EE had previously initiated discussions with the relevant incorporated owners expressing its interests, and intends to commence more active negotiations as the EE Directors believe that the softening of the Hong Kong property market in the recent months may be an opportune time for this.

The EE Directors estimate that the acquisitions of the above properties will require financial resources of between HK\$550 million and HK\$600 million at current prices. Thereafter, additional financial resources are needed to redevelop the site into properties for residential and/or commercial uses, which the EE Directors estimate will take approximately 3 years. Redevelopment costs will be required for planning and design, demolition, foundation works, superstructure construction and interior works, and is currently estimated to be between HK\$150 million and HK\$200 million at current prices. The EE Board intends that all the net proceeds from the issue of the Convertible Note of approximately HK\$98,700,000 will be used for the acquisition and redevelopment of the Target Project. Please refer to the "Letter from the Board" in circular dated 20 February 2014 issued by EE for details and recent development of EE's acquisition and redevelopment plan on the above properties.

---

## LETTER FROM THE BOARD

---

The reason for the Company's subscription of the Convertible Note is that the Directors are confident in EE's long-term business development, in particular, its property investment segment. As mentioned in EE's annual report for the year ended 31 March 2013, turnover from its property segment had increased by approximately 96.4% as compared to the previous year and the EE Group expected that revenue and contribution from its property investment segment would continue to grow and become one of the its major recurring and reliable income sources. This transition of business towards the property market inspires confidence amongst the Directors, who, as mentioned in the paragraph headed "Financial and trading prospects of the Group" in Appendix I to this circular, remains confident and optimistic about the long term prospect in the property market despite it will continue to be affected by external economic circumstances and the development of housing policies in the near future. In addition, the Causeway Bay region where the Target Project is situated plays host to several most sought after prime retail streets in the world and augurs well with the region's appeal to tourists as well as retailers. Consequently, the Directors propose that the Company subscribes for the Convertible Note, which offers a yield superior to bank deposits whilst allowing the Company to maintain control of EE.

Having considered the above, together with the fair and reasonableness of the initial Conversion Price as discussed in the paragraph headed "Conversion Price" in this letter, the Board is of the view that the Subscription Agreement and the transactions contemplated therein (subject to obtaining the Whitewash Waiver) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE SUBSCRIPTION ON THE GROUP**

Upon the completion of the Subscription, EE will become a subsidiary of the Company. Accordingly, the financial position and results of EE will be consolidated into those of the Company at the time when EE becomes the subsidiary of the Company. The financial impact of the Subscription and the full exercise of the Conversion Rights on the Company (including their effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix II to this circular.

### **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25.0% but less than 100.0%, the Subscription Agreement (and the transactions contemplated therein) constitutes a major transaction for the Company under the Listing Rules. So far as the Directors are aware, having made all reasonable enquiries, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve the Subscription Agreement if the Company were to convene a general meeting to approve the Subscription Agreement and the transactions contemplated therein.



---

## LETTER FROM THE BOARD

---

### WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution passed at a general meeting of the Company, written Shareholders' approval of the Subscription Agreement has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.7% of the issued shares of the Company as at the Latest Practicable Date. Sea Rejoice Limited, which holds 17,429,664 Shares, representing approximately 22.0% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of the Company and EE. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.7% 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, daughter of Ms. Lui Yuk Chu who is an executive director of the Company and EE, and excluding 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.

### THE WHITEWASH WAIVER

Upon issue of up to 147,058,823 Conversion Shares resulting from exercise of the Conversion Rights at the initial Conversion Price in full, and assuming that save for the issue of such Conversion Shares, there will be no change to the issued share capital and shareholding structure of EE from the date of this circular up to (and including) the date of issue of such Conversion Shares on exercise in full of the Conversion Rights, the Company's shareholding via Goodco and Landmark Profits in EE will increase from approximately 36.3% (of the existing issued share capital of EE) to approximately 57.4% (of the issued share capital of EE as enlarged by the issue of the Conversion Shares).

Given that the allotment and issue of the Conversion Shares to Goodco will increase the Company's holding of voting rights in EE by more than 2.0% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2.0% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, Goodco and parties acting in concert with it (including but not limited to the Company and Landmark Profits) will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of EE not already owned or agreed to be acquired by them.

Goodco and parties acting in concert with it (including but not limited to the Company and Landmark Profits) have made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the EE Independent Shareholders at the EE SGM by way of poll. Goodco, parties acting in concert with it (including but not limited to the Company and Landmark Profits) and any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver will be prohibited to vote on the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the EE SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed.



---

## LETTER FROM THE BOARD

---

The Directors confirmed that neither Goodco nor any parties acting in concert with it (including Landmark Profits) have acquired voting rights in EE nor dealt in any securities of EE (and there have been no disqualifying transactions for the purpose of paragraph 3 of Schedule VI to the Takeovers Code), within the six months period up to and including the date of the Joint Announcement.

The Company has confirmed that as at the Latest Practicable Date, (i) 60,441,570 EE Shares, representing approximately 20.4% of the existing issued share capital of EE, are held by Goodco; and (ii) 47,140,104 EE Shares, representing approximately 15.9% of the existing issued share capital of EE, are held by Landmark Profits.

The Company, Goodco and Landmark Profits have further confirmed that save for the Subscription Agreement (together with the Convertible Note to be issued to it upon completion of the Subscription Agreement, and the Conversion Shares which may be allotted and issued to it upon exercise of the Conversion Rights attaching to the Convertible Note) and the Whitewash Waiver, as at the Latest Practicable Date:

- (i) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the EE Shares, shares of Goodco or Shares and which might be material to the Subscription and the Whitewash Waiver;
- (ii) there is no agreement or arrangements to which any of Goodco or any parties acting in concert with it (including but not limited to the Company and Landmark Profits) is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver;
- (iii) there is no outstanding derivative in respect of securities in EE which has been entered into by Goodco or any person acting in concert with it;
- (iv) other than the approximately 36.3% in aggregate of the issued share capital of EE as at the date of this circular held by Goodco and Landmark Profits, neither Goodco nor any parties acting in concert with it (including but not limited to the Company and Landmark Profits) owns, controls or has direction over any voting rights, rights over EE Shares, convertible securities, warrants or options of EE;
- (v) neither Goodco nor any parties acting in concert with it (including but not limited to the Company and Landmark Profits) has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Subscription and the Whitewash Waiver; and
- (vi) there are no relevant securities (as defined Note 4 to Rule 22 in the Takeovers Code) in EE which Goodco or any person acting in concert with it has borrowed or lent.

---

## LETTER FROM THE BOARD

---

### INFORMATION ON GOODCO AND THE GROUP

Goodco is a company incorporated in the British Virgin Islands with limited liability and is a substantial shareholder of EE holding 60,441,570 EE Shares, representing approximately 20.4% of the issued share capital of EE as at the Latest Practicable Date. It is a wholly-owned subsidiary of the Company.

The Group is principally engaged in property investments, property development, investment in securities and loan financing.

### RECOMMENDATION

The Directors consider the Subscription Agreement and the transactions contemplated therein (subject to obtaining the Whitewash Waiver) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution if the Company were to convene a general meeting to approve the Subscription Agreement and the transactions contemplated therein.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**Easyknit International Holdings Limited**  
**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. The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2013 are disclosed in the 2013 interim report of the Company for the six months ended 30 September 2013. They can be accessed on the website of the Company ([www.easyknit.com](http://www.easyknit.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

**2. WORKING CAPITAL**

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

**3. INDEBTEDNESS**

At the close of business on 31 December 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\$1,410.8 million, which were guaranteed by the Company and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$1,409.9 million and interest payable of approximately HK\$0.9 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 December 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**

Since 24 September 2013, the garment sourcing and export businesses ceased to be one of the principal business activities of the Group as EE was changed from a subsidiary of the Group to an associate of the Group; the financial position and results of EE was deconsolidated from the Group's financial statements.

Apart from as disclosed above, 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 Group were made up.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the interim report of the Company for the six months ended 30 September 2013, the imposition of the doubling of the stamp duty by the local government in the first half of 2013, the sentiment of property market was further deteriorated, resulting in contraction in transaction volumes and moderate downward adjustment in property prices. Despite the property market will continue to be affected by external economic circumstances and the development of housing policies in the near future, the Group remains confident and optimistic about the long term prospect in the property market.

Completion of the acquisition of the properties at Inverness Road expanded the property investment portfolio of the Group, which will generate impressive returns in the future when the Group believes it is the appropriate moment to commence the redevelopment. Also, the construction works of a residential project in Prince Edward Road West is nearly completed, the sales of which are expected to be booked in the next financial year.

The global economy continues to show sluggish recovery. The markets remain challenging and price driven, which decreased the Group's revenue in the garment sourcing and export businesses. For the rest of this financial year, assuming no change in status of EE as an associate of the Company, the garment sourcing and export businesses ceased to be one of the principal activities of the Group; and the financial position and results of EE was deconsolidated from the Group's financial statements. On the other hand, if the Company's shareholding in EE increased from the present 36.3% to 50% or above including the exercise of the Conversion Rights attached to the Convertible Note, then EE will be changed from an associate to a subsidiary of the Company. Accordingly, the financial position and results of EE will be consolidated into those of the Company at the time when EE becomes the subsidiary of the Company.

The Group kept on optimizing the securities investment portfolio in the first half of the financial year, and the Group will continue to adopt a cautious attitude towards investment strategy in order to secure stable returns at a minimal risk.

Although the prospect of the global economy are still full of uncertainties, we are confident that we are well positioned with the right strategic moves, harvest of which can be enjoyed by our shareholders in the coming years.

**APPENDIX II**
**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 proposed subscription of Convertible Note to be issued by EE in the aggregate principal amount of HK\$100,000,000, as if the Subscription has taken place on 30 September 2013.

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 Enlarged Group had the Subscription been completed as at 30 September 2013 or at any future date.

	The Group as at 30 September 2013 HK\$'000 (Unaudited) Note 1	Pro forma adjustments			Pro forma adjusted total for the Enlarged Group HK\$'000	
		HK\$'000	HK\$'000	HK\$'000		
			Note 2	Note 2, 3		Note 4
<b>Non-current assets</b>						
Property, plant and equipment	37,456	—	131	—	37,587	
Investment properties	1,865,912	—	629,714	—	2,495,626	
Interests in associates	344,133	(344,133)	—	—	—	
Available-for-sale investments	33,829	—	—	—	33,829	
Loans receivable	24,777	—	17,500	—	42,277	
Deposit and prepayments for a life insurance policy	9,756	—	—	—	9,756	
	<u>2,315,863</u>	<u>(344,133)</u>	<u>647,345</u>	<u>—</u>	<u>2,619,075</u>	
<b>Current assets</b>						
Properties held for development for sale	1,408,899	—	—	—	1,408,899	
Properties held for sale	35,525	—	—	—	35,525	
Investments held for trading	227,871	—	100,109	—	327,980	
Trade and other receivables	14,607	—	23,508	—	38,115	
Loans receivable	96,203	—	—	—	96,203	
Bank deposit with original maturity of more than three months	—	—	130,000	—	130,000	
Bank balances and cash	40,834	—	265,245	(1,300)	304,779	
	<u>1,823,939</u>	<u>—</u>	<u>518,862</u>	<u>(1,300)</u>	<u>2,341,501</u>	

## APPENDIX II

UNAUDITED PRO FORMA STATEMENT OF  
ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 September 2013 HK\$'000 (Unaudited) Note 1	Pro forma adjustments			Pro forma adjusted total for the Enlarged Group HK\$'000
		HK\$'000	HK\$'000	HK\$'000	
		Note 2	Note 2, 3	Note 4	
<b>Current liabilities</b>					
Trade and other payables	50,201	—	28,956	—	79,157
Bills payable	—	—	1,553	—	1,553
Tax payable	26,008	—	6,909	—	32,917
Secured bank borrowings	27,505	—	6,886	—	34,391
	<u>103,714</u>	<u>—</u>	<u>44,304</u>	<u>—</u>	<u>148,018</u>
<b>Net current assets</b>	<u>1,720,225</u>	<u>—</u>	<u>474,558</u>	<u>(1,300)</u>	<u>2,193,483</u>
<b>Total assets less current liabilities</b>	<u>4,036,088</u>	<u>(344,133)</u>	<u>1,121,903</u>	<u>(1,300)</u>	<u>4,812,558</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	229	—	14,643	—	14,872
Secured bank borrowings	1,316,111	—	158,449	—	1,474,560
	<u>1,316,340</u>	<u>—</u>	<u>173,092</u>	<u>—</u>	<u>1,489,432</u>
<b>Net assets</b>	<u>2,719,748</u>	<u>(344,133)</u>	<u>948,811</u>	<u>(1,300)</u>	<u>3,323,126</u>

## Notes:

- The figures are extracted from the condensed consolidated statement of financial position of the Group as at 30 September 2013, as set out in the published interim report of the Company for the six months ended 30 September 2013.
- Upon completion of the Subscription, the Company will have the existing rights, including potential voting rights, that give it the current ability to direct the relevant activities of EE. Upon exercise in full of the Conversion Rights at the initial Conversion Price of HK\$0.68 per Conversion Share to subscribe for 147,058,823 Conversion Shares during the Conversion Period, and assuming that save for the issue of such Conversion Shares, there will be no change in the existing issued share capital and shareholding structure of EE, the shareholding of the Company, through its wholly owned subsidiaries, in EE will increase from approximately 36.27% (of the issued share capital of EE as at 30 September 2013 and at the date of this circular) to approximately 57.40% (of the issued share capital of EE as enlarged by the issue of the Conversion Shares). In the opinion of the Directors, the Company will obtain control in EE after considering the potential voting rights arising from the Convertible Note, and as a result, EE will cease to be an associate of the Group upon completion of the Subscription and will be accounted for as a subsidiary of the Company as from that date. Accordingly, EE's assets, liabilities, cash flows and results will be consolidated into the consolidated financial statements of the Company upon completion of the Subscription. The principal amount of Convertible Note amounted to HK\$100,000,000 will also be eliminated upon EE being consolidated into the consolidated financial statements of the Company.

3. The figures represent the assets and liabilities of EE, which are extracted from the condensed consolidated statement of financial position of EE as at 30 September 2013, as set out in the published interim report of EE for the six months ended 30 September 2013.
4. The adjustment represents transaction costs of approximately HK\$1,300,000 settled by cash.
5. In the opinion of the Directors, at the assumed date of acquisition of EE of 30 September 2013,
  - (a) the fair values of EE's identifiable assets acquired and liabilities assumed approximate their carrying values as at 30 September 2013, such fair values will be subject to change upon completion of the Subscription; and
  - (b) the non-controlling interests are measured at proportionate share of the fair value of net assets acquired.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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 30 September 2013 and related notes as set out on pages II-1 to II-3 of the circular issued by the Company dated 20 February 2014 (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 to II-3 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed subscription of convertible notes to be issued by Easyknit Enterprises Holdings Limited in an aggregate principal amount of HK\$100,000,000 (the “Subscription”) on the Group’s financial position as at 30 September 2013 as if the Subscription had taken place at 30 September 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 September 2013, on which no audit or review 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 Subscription at 30 September 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  
20 February 2014

## 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

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

#### (i) Interests in the Company

Name of Director	Capacity	Number of ordinary Shares held (long position)	Aggregate number of ordinary Shares held	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (Note i)	29,179,480	46,609,144	58.69%
	Interest of controlled corporation (Note ii)	17,429,664		
Ms. Koon Ho Yan Candy	Beneficiary of a trust (Note iii)	29,179,480	29,179,480	36.74%

#### Notes:

- (i) 29,179,480 Shares are registered in the name of and beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by 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) 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu.

- (iii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

**(ii) Interest in associated corporations**

*Easyknit Enterprises*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of ordinary shares held (long position)</b>	<b>Approximate percentage of interest</b>
Ms. Lui Yuk Chu	Beneficiary of a trust ( <i>Note iv</i> )	254,640,497	85.85%
Ms. Koon Ho Yan Candy	Beneficiary of a trust ( <i>Note v</i> )	254,640,497	85.85%

*Notes:*

- (iv) These shares are respectively registered in the name of and beneficially owned by Landmark Profits and Goodco, both 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 it 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 it 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).
- (v) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, 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 vi)*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of non-voting deferred shares held</b>	<b>Percentage to issued non-voting deferred shares of Wellmake</b>
Ms. Lui Yuk Chu	Beneficial owner ( <i>note vii</i> )	1	100%
	Interest of spouse ( <i>note vii</i> )	1	

*Notes:*

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

- (vii) One non-voting deferred share is held by Ms. Lui Yuk Chu as beneficial owner. The other one non-voting deferred share is held by her spouse, Mr. Koon Wing Yee, in which Ms. Lui Yuk Chu is deemed to be interested in such share by virtue of the SFO.

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

**(b) Substantial Shareholders' interests**

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 &amp; ii</i>	Beneficial owner	17,429,664	21.95%
Magical Profits Limited	<i>i &amp; 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 &amp; 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%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate Percentage of interest
HSBC Asia Holdings (UK) Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC 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%
HSBC Holdings plc	<i>iii</i>	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 remaining 29,179,480 Shares are registered in the name of and beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director of the Company, and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, 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 a director of the Company, 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 are not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

### 3. 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).

**4. 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 placing agreement dated 30 May 2012 entered into between EE and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of EE at a placing price of HK\$0.141 per share;
- (b) 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;
- (c) the placing agreement dated 18 July 2012 entered into between EE and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of EE at a placing price of HK\$0.106 per share;
- (d) the underwriting agreement dated 15 August 2012 entered into between EE and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of EE at a subscription price of HK\$0.077 per rights share;
- (e) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of EE, 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;
- (f) the underwriting agreement dated 11 October 2012 entered into between EE 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 of EE at the subscription price of HK\$0.40 per rights share;
- (g) the placing agreement dated 28 January 2013 entered into between EE and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of EE at a placing price of HK\$0.44 per share;
- (h) the underwriting agreement dated 5 April 2013 entered into between EE 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 of EE at the subscription price of HK\$0.10 per rights share;
- (i) the placing agreement dated 11 September 2013 entered into between EE and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of EE at a placing price of HK\$0.063 per share; and

(j) the Subscription Agreement.

#### 5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

#### 6. DIRECTORS' INTEREST 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.

#### 7. LITIGATION

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

#### 8. 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:

<b>Name and Address</b>	<b>Qualification</b>
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.

## **9. 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 Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 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.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2011, 2012 and 2013;
- (c) the interim report of the Company for the six months ended 30 September 2013;
- (d) the letter of consent referred to in paragraph headed "Expert and consent" above;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (f) the report 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 II to this circular;
- (g) the Company's circular dated 30 September 2013 in relation to the deemed disposal of interests in EE; and
- (h) this circular.