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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 a license securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Easyknit International Holdings Limited (永義國際集團有限公司)*, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale(s) or transfer(s) was/were effected for transmission to the purchaser(s) or the transferee(s).

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EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

(1) VERY SUBSTANTIAL DISPOSAL

PROPOSED DISPOSAL OF THE KINGBEST GROUP;

(2) MAJOR TRANSACTION

**SUBSCRIPTION OF RIGHTS SHARES
PURSUANT TO THE UNDERTAKINGS
IN FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT
UNDER THE RIGHTS ISSUE OF
EASYKNIT ENTERPRISES HOLDINGS LIMITED;**

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

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

A letter from the Board is set out on pages 6 to 19 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 20 October 2014 at 10:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

26 September 2014

* for identification only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Appendix I – Financial information of the Group	I-1
Appendix II – Financial information of the Kingbest Group	II-1
Appendix III – Unaudited pro forma financial information of the Group upon completion of the Disposal, the Subscription and the Rights Issue	III-1
Appendix IV – Valuation Report	IV-1
Appendix V – General information	V-1
Notice of Special General Meeting	N-1

DEFINITIONS

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

“Acceptance Time”	4:00 p.m. on Monday, 10 November 2014 (or such other time or date as the Underwriter may agree in writing with Easyknit Enterprises as the latest date of acceptance of, and payment of, Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“Authorised Capital Increase”	the proposed increase of authorised share capital of Easyknit Enterprises from HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares
“Board”	the board of Director(s)
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Capital Reduction”	the proposed (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all Consolidated Shares from HK\$0.10 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares; and (iii) the credit arising from the reduction of the issued share capital of Easyknit Enterprises be transferred to the contributed surplus account of Easyknit Enterprises

DEFINITIONS

“Capital Reorganisation”	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Authorised Capital Increase
“Company” or “Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the S&P Agreement and the Rights Issue, as the context may require
“Consideration”	the consideration for disposing Kingbest Group of HK\$340 million which is the total cost for the disposal of the Sale Share and the Sale Loan
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of Easyknit Enterprises upon the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan, pursuant to the S&P Agreement
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Existing Share(s)”	ordinary share(s) of par value HK\$0.01 each in the capital of Easyknit Enterprises before the Capital Reorganisation becoming effective, unless otherwise stated
“Goodco”	Goodco Development Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Easyknit International
“Group”	the Company and its subsidiaries, including Easykint Enterprises
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Kingbest”	Kingbest Capital Holdings Limited, a company incorporated in the BVI with limited liability and an indirectly held wholly-owned subsidiary of Easyknit International
“Kingbest Group”	Kingbest and its subsidiaries
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of Easyknit International
“Latest Practicable Date”	25 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matheson Street Project”	the redevelopment of the site comprising No. 11, 13, and 15 Matheson Street, Causeway Bay, Hong Kong
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) of Easyknit Enterprises (if any) in respect of whom the Directors of Easyknit Enterprises, based on legal opinions to be provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	shareholder(s) of Easyknit Enterprises whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
“PRC”	the People’s Republic of China
“Purchaser”	Easyknit Enterprises

DEFINITIONS

“Qualifying Shareholder(s)”	shareholder(s) of Easyknit Enterprises, other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date
“Record Date”	Friday, 24 October 2014 or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the proposed issue of the Rights Shares by way of rights by Easyknit Enterprises as set out in the joint announcement dated 5 September 2014 issued by the Company and Easyknit Enterprises
“Rights Share(s)”	450,132,472 Adjusted Shares proposed to be offered to Qualifying Shareholders for subscription on the basis of eight Rights Shares for every one Adjusted Share held at the Record Date pursuant to the Rights Issue
“S&P Agreement”	the sale and purchase agreement dated 5 September 2014 entered into between Easyknit Enterprises and the Vendor in relation to the sale and purchase of the Sale Share (as supplemented by an agreement entered into on 15 September 2014 by the Vendor and the Purchaser, whereby the Purchaser will indirectly acquire the Site at a consideration of HK\$340 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan)
“Sale Share”	one share of US\$1.00 in the issued share capital of Kingbest, representing the entire issued share capital of Kingbest
“Sale Loan”	refers to a loan due to the Company, the ultimate holding company of Kingbest
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting to be convened and held to consider and approve the S&P Agreement and the Subscription
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the Company’s share capital

DEFINITIONS

“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of Share(s)
“Site”	a parcel of land located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong, with a total registered site area of approximately 8,441.5 sq. ft.
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Rights Shares by Landmark Profits and Goodco
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Undertakings”	the conditional irrevocable undertakings dated 5 September 2014 given by Landmark Profits and Goodco to Easyknit Enterprises and the Underwriter as described in the section headed “Full acceptance of provisional entitlement under the Rights Issue” in the “Letter from the Board” of this circular
“Underwriter”	Get Nice Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement, dated 5 September 2014, entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain related arrangements in respect of the Rights Issue
“Valuation Report”	the valuation report issued by Vigers Appraisal And Consulting Limited, an independent professional valuer, in respect of the Site
“Vendor”	Easyknit Properties Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“%”	percentage

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Non-executive 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

26 September 2014

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL

PROPOSED DISPOSAL OF THE KINGBEST GROUP;

AND

(2) MAJOR TRANSACTION

**SUBSCRIPTION OF RIGHTS SHARES
PURSUANT TO THE UNDERTAKINGS
IN FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT
UNDER THE RIGHTS ISSUE OF
EASYKNIT ENTERPRISES HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the joint announcement of the Company and Easyknit Enterprises dated 5 September 2014 in relation to, among other things, (1) the S&P Agreement entered into by the Vendor and the Purchaser, pursuant to which the Vendor conditionally agreed to procure the

* *for identification only*

LETTER FROM THE BOARD

sale of, and the Purchaser conditionally agreed to purchase, the Sale Share, representing the entire issued share capital of Kingbest, for the Consideration of HK\$340.0 million; and (2) the Undertakings given by each of Landmark Profits and Goodco in favour of Easyknit Enterprises and the Underwriter for the Subscription.

The S&P Agreement was supplemented by an agreement entered into on 15 September 2014 by the Vendor and the Purchaser, whereby the Purchaser will indirectly acquire the Site at a consideration of HK\$340 million and will as part of the transaction and without increase in the Consideration acquire the Sale Loan.

The purpose of this circular is to provide to you, among other things, (i) details of the Disposal; (ii) details of the Subscription pursuant to the Undertakings and the transactions contemplated thereunder; (iii) financial information of the Group; (iv) financial information of the Kingbest Group; (v) unaudited pro forma financial information of the Group upon completion of the Disposal, the Subscription and the Rights Issue; (vi) the Valuation Report; and (vii) a notice of the SGM.

THE S&P AGREEMENT

Date: 5 September 2014 (after trading hours)

Parties: (1) Easyknit Properties Holdings Limited, the Vendor
(2) Easyknit Enterprises, the Purchaser

The Purchaser is a non wholly-owned subsidiary of the Company. Landmark Profits and Goodco, both being wholly-owned subsidiaries of the Company, are substantial shareholders of Easyknit Enterprises.

The S&P Agreement was supplemented by an agreement entered into on 15 September 2014 by the Vendor and the Purchaser, whereby the Purchaser will indirectly acquire the Site at a consideration of HK\$340 million and will as part of the transaction and without increase in the Consideration also acquire the Sale Loan.

The Disposal

Subject to the terms and conditions of the S&P Agreement, the Vendor has conditionally agreed to procure the sale of, and the Purchaser has conditionally agreed to acquire, the Sale Share (representing the entire issued share capital of Kingbest), free from all liens, charges, encumbrances and third party rights and together with all rights attaching thereto and the Sale Loan as at Completion.

LETTER FROM THE BOARD

Kingbest is an investment holding company, which, through its wholly-owned subsidiary, holds a 100.0% interest in the Site. Upon Completion, Kingbest will cease to be a subsidiary of the Company. Pursuant to the audited financial statements of the Kingbest Group as at 31 March 2014, the Sale Loan amounted to HK\$296,236,533. According to the supplemental agreement to the S&P Agreement, the Vendor stated that at Completion the Sale Loan shall not exceed the amount of HK\$339,999,999.

Consideration

The Consideration for disposing the Sale Share and the Sale Loan is HK\$340.0 million. The Purchaser paid to the Vendor a refundable initial deposit of HK\$30.0 million upon entering into the S&P Agreement (the “**Initial Deposit**”). The balance of HK\$310.0 million is payable by the Purchaser upon Completion by cash.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to the location of the Site and the preliminary valuation of HK\$340.0 million indicated by Vigers Appraisal And Consulting Limited.

Taking into consideration the above, the Board (including the independent non-executive Directors) is of the view that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon the following conditions (the “**Conditions**”) having been fulfilled or waived (as the case may be):

- (a) The respective obligations of the parties to effect completion of the sale and purchase of the Sale Share and the Sale Loan are conditional upon the following:
 - (i) the Purchaser being satisfied with its “due diligence” review of the legal and financial affairs of the Kingbest Group;
 - (ii) the Purchaser having received the sums payable to it in the Rights Issue;
 - (iii) the approval of the S&P Agreement and the transactions contemplated thereunder, by the shareholders of Easyknit Enterprises (other than those who required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained; and
 - (iv) the approval of the S&P Agreement and the transactions contemplated thereunder, by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained.
- (b) Each party shall use its reasonable endeavours and co-operate to ensure the fulfilment of the Conditions by 31 December 2014. The Vendor shall use all reasonable endeavours to assist the Purchaser in connection with the due diligence review to be conducted by the Purchaser.

LETTER FROM THE BOARD

- (c) If the Conditions have not been fulfilled (or, where applicable, waived by the Purchaser) on or before 31 December 2014 (or such other date as may be agreed by the Vendor and the Purchaser) and either the Vendor on the one hand or the Purchaser on the other hand, gives notice to terminate the S&P Agreement, the S&P Agreement shall thereupon terminate.
- (d) If the S&P Agreement is terminated, the Vendor shall refund the Initial Deposit in full without interest to the Purchaser within five (5) Business Days next following the date of the relevant notice. Thereafter, the parties shall have no further claims against each other under the S&P Agreement for costs, damages compensation or otherwise, save in respect of antecedent breaches.

Completion

Completion shall take place on the third Business Day after the date on which the aforementioned Conditions have been satisfied, or, if applicable, waived by the Purchaser or on any such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Kingbest Group will cease to be a wholly-owned subsidiary of the Company and will become a directly held wholly-owned subsidiary of Easyknit Enterprises. The Company, through Landmark Profits and Goodco, is interested in approximately 41.0% interests of the entire issued share capital of Easyknit Enterprises. Accordingly, upon Completion, the Company will through its interests in Easyknit Enterprises be interested in the Kingbest Group.

INFORMATION ON THE KINGBEST GROUP

Kingbest is a company incorporated in the BVI and an indirectly held wholly-owned subsidiary of the Company. Kingbest is an investment holding company and through its wholly-owned subsidiary holds a 100.0% interest in the Site, being a parcel of land located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total registered site area of approximately 8,441.5 sq.ft., which is currently permitted to be developed for residential use with a maximum gross floor area of approximately 25,323 sq. ft.

During the three years ended 31 March 2012, 2013 and 2014, the Kingbest Group recorded rental income amounting to approximately nil, HK\$0.8 million and HK\$1.6 million respectively, which corresponds to its respective acquisition of 6 units and 2 units at the Site during the year ended 31 March 2013 and 2014. Demolition works of such buildings had commenced in June 2014, the costs of which has been financed by a loan from the Company, being the Sale Loan, which amounted to HK\$296,236,533 as at 31 March 2014. The Directors confirm that the amount is not expected to exceed HK\$339,999,999 by Completion.

Please also refer to Appendix II to this circular for detailed financial information relating to the Kingbest Group.

LETTER FROM THE BOARD

FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries Landmark Profits and Goodco, is interested in 230,451,381 shares of Easyknit Enterprises, representing approximately 41.0% of the total issued share capital of Easyknit Enterprises. As at the Latest Practicable Date, the Company also held an outstanding convertible note in principal amount of HK\$20,000,000 which is convertible into shares of Easyknit Enterprises during the five-year period commencing from 27 March 2014 at the conversion price of HK\$0.642 per share of Easyknit Enterprises (subject to adjustment). Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have given the Undertakings in favour of Easyknit Enterprises and the Underwriter where, among other things, (1) Landmark Profits and Goodco will subscribe for 37,712,080 Rights Shares and 146,649,016 Rights Shares respectively to which they will be entitled pursuant to the terms of the Rights Issue; (2) the shares of Easyknit Enterprises comprising their current shareholding in Easyknit Enterprises will remain registered in their respective names at the Record Date as they are on the date of the Undertakings; and (3) they will procure that their applications in respect of their 37,712,080 Rights Shares and 146,649,016 Rights Shares respectively comprising their respective entitlements under the Rights Issue will be lodged with the share registrar of Easyknit Enterprises, with payment in full therefore, by no later than the Acceptance Time and otherwise in accordance with the instructions printed on the provisional allotment letters of Easyknit Enterprises.

The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If the conditions are not fulfilled, all liabilities of Landmark Profits and Goodco thereunder shall cease and the undertakings shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Shares.

The Rights Shares, when allotted, fully-paid or credited as fully-paid and issued shall rank pari passu in all respects with the shares of Easyknit Enterprises then in issue, including the right to reserve all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of government stamp duty in Hong Kong.

Consideration

Landmark Profits and Goodco will pay a total amount of approximately HK\$129,052,767 to subscribe in full its entitlement of 184,361,096 Rights Shares under the Rights Issue at the subscription price of HK\$0.70 per Rights Share.

The subscription monies payable by Landmark Profits and Goodco to Easyknit Enterprises pursuant to the Undertakings will not be paid in cash but will be set off against the remaining balance of HK\$310 million owed by Easyknit Enterprises to the Company pursuant to the S&P Agreement. Landmark Profits, Goodco, Easyknit International and Easyknit Enterprises have agreed to the set-off arrangements.

LETTER FROM THE BOARD

Conditions precedent

The Subscription is conditional upon, among other things, the passing of the necessary resolution by the Shareholders to approve, among other things, the subscription of Rights Shares under the Rights Issue pursuant to the Undertakings.

Background of the Rights Issue and use of proceeds

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$315.1 million and HK\$312.0 million respectively. Easyknit Enterprises intends to apply such net proceeds from the Rights Issue as payment of the consideration for the acquisition of the Kingbest Group. The excess funds, if any, over the consideration for the acquisition of the Kingbest Group will be used as general working capital of Easyknit Enterprises and its subsidiaries.

INFORMATION ON EASYKNIT ENTERPRISES

Easyknit Enterprises is a subsidiary of the Company and it, together with its subsidiaries are principally engaged in property investments, garment sourcing and export businesses, investment in listed securities and loan financing.

The following information is extracted from the audited financial statements of Easyknit Enterprises for the two years ended 31 March 2013 and 2014 respectively:

	For the year ended	
	31 March	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation from continuing operations	(21,991)	(2,752)
(Loss) profit after taxation from continuing operations	(21,922)	(2,541)

For detailed financial information of Easyknit Enterprises and its subsidiaries, please refer paragraph 2 of Appendix I to this circular and the website of Easyknit Enterprises (www.easyknitenterp.com).

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT UNDER THE RIGHTS ISSUE

Reasons for the Disposal

The Group is principally engaged in property investments, property development, investment in securities and loan financing. The Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC.

LETTER FROM THE BOARD

The Group commenced acquiring units at the Site in 2012, which was completed in July 2013 with demolition works of such building commencing in June 2014 and expected to be completed by Completion. The Group's total cost involved to acquire all the units on the Site and the demolitions up to 31 March 2014 was approximately HK\$300 million.

Currently, other than the Site, the Group has two development projects ongoing. The Directors are of the view that the Site would be more appropriate for development under Easyknit Enterprises (in which the Company has indirect interests of approximately 41.0%) so as to enhance the overall effectiveness and efficiency in utilising the overall assets and resources of the Group, which includes Easyknit Enterprises and its subsidiaries. In particular, the Site will be readily available for development purposes as opposed to the Matheson Street Project, (a major ongoing project under Easyknit Enterprises) whereby negotiation with owners of the properties No. 11 and 13 Matheson Street for the purchase of their respective units are ongoing as at the Latest Practicable Date.

As described in the paragraph headed "Information on the Kingbest Group" above, the Site has a total registered site area of approximately 8,441.5 sq.ft., which is currently permitted to be developed for residential use with a maximum gross floor area of approximately 25,323 sq.ft. The Company is in the process in selecting the architectural plan targeting to build a residential building complex with carparking spaces.

According to the management, the company has to submit the draft buildings plan to Buildings Department for approval and it will take at least 6 months' time to be approved; and also has to submit the application to Lands Department for land modification/exchange, it will take at least 1.5 years. It is estimated that it will take at least 3 years to complete all the construction works and obtain the occupation permit. An additional amount of approximately HK\$245 million is expected to be required for the redevelopment of the Site into properties, which the management expects to finance partly by bank financing and partly by internal resources.

The proceeds from the disposal of the Kingbest Group (after netting off the subscription moneys relating to the proposed Rights Issue) are estimated to be approximately HK\$211.0 million, which the Company intends to apply to future investment opportunities and/or general working capital for the Company.

Having considered the above together with the Consideration, which was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the Valuation Report in Appendix IV to this circular, the Directors are of the view that the S&P Agreement is fair and reasonable and in the interests of Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Reasons for full acceptance of provisional entitlement under the Rights Issue

The Directors consider (i) the Undertakings and (ii) the set-off arrangements among the Vendor, Landmark Profits, Goodco and the Purchaser to be fair and reasonable and believe that the Subscription is in the interests of the Company and the Shareholders as a whole, the reasons being:

(1) *Maintaining the pro-rata shareholding after the Rights Issue*

By subscribing the Rights Shares, the Company (through Landmark Profits and Goodco) will be able to maintain the pro-rata shareholding in Easyknit Enterprises immediately upon completion of the Rights Issue, as illustrated in the following tables. Under the scenarios of (i) the conversion rights attaching to the outstanding convertible note are not exercised; and (ii) full exercise of the outstanding convertible note, set out below the shareholding structure of Easyknit Enterprises (a) as at the Latest Practicable Date; (b) immediately after Capital Reorganisation but before the Completion; (c) immediately after Completion assuming all Rights Shares are taken up by Qualifying Shareholders; and (d) immediately after Completion assuming only Landmark Profits and Goodco take up their Rights Shares.

Scenario 1: no exercise of outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		Immediately after the Completion (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Completion (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	No. of Existing Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
<i>Landmark Profits</i>	47,140,104	8.38	4,714,010	8.38	42,426,090	8.38	42,426,090	8.38
<i>Goodco</i>								
– Shares of Easyknit Enterprises	183,311,277	32.58	18,331,127	32.58	164,980,143	32.58	164,980,143	32.58
– Underlying shares of Easyknit Enterprises of the outstanding convertible note (Notes 1 and 2)	31,152,647		To be adjusted (Note 3)		To be adjusted (Note 3)		To be adjusted (Note 3)	
Sub-total	230,451,381	40.96	23,045,137	40.96	207,406,233	40.96	207,406,233	40.96
<i>Public</i>								
Underwriter	–	0.00	–	0.00	–	0.00	260,771,376	52.48
Other public shareholders of Easyknit Enterprises	332,214,226	59.04	33,221,422	59.04	298,992,798	59.04	33,221,422	6.56
Total	562,665,607	100.00	56,266,559	100.00	506,399,031	100.00	506,399,031	100.00

Notes:

- The underlying shares of Easyknit Enterprises of the outstanding convertible note do not represent the issued shares of Easyknit Enterprises.
- Pursuant to the terms of the convertible note, Goodco may convert at any time within the five-year period from 27 March 2014.
- Possible adjustments to the convertible note will be announced by Easyknit Enterprises as and when appropriate.

LETTER FROM THE BOARD

Scenario 2: full exercise of the outstanding convertible note

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the Completion		Immediately after the Completion (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the Completion (only Landmark Profits and Goodco have subscribed the Rights Shares)	
	No. of Existing Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
<i>Landmark Profits</i>	47,140,104	7.94	4,714,010	7.94	42,426,090	7.94	42,426,090	7.94
<i>Goodco</i>								
– Shares of Easyknit Enterprises	214,463,924	36.12	21,446,392	36.12	193,017,528	36.12	193,017,528	36.12
– Underlying shares of Easyknit Enterprises of the outstanding convertible note (Notes 1 and 2)	–	0.00	–	0.00	–	0.00	–	0.00
Sub-total	261,604,028	44.06	26,160,402	44.06	235,443,618	44.06	235,443,618	44.06
<i>Public</i>								
Underwriter	–	0.00	–	0.00	–	0.00	265,771,376	49.72
Other public shareholders of Easyknit Enterprises	332,214,226	55.94	33,221,422	55.94	298,992,798	55.94	33,221,422	6.22
Total	593,818,254	100.00	59,381,824	100.00	534,436,416	100.00	534,436,416	100.00

Notes:

- The underlying shares of Easyknit Enterprises of the outstanding convertible note do not represent the issued shares of Easyknit Enterprises; and
- Pursuant to the terms of the convertible note, Goodco may convert at any time within the five-year period from 27 March 2014.

(2) Easyknit Enterprises’s future development in the property market

The Board is optimistic about the future prospects of Easyknit Enterprises, including in respect of its acquisition of the Kingbest Group as mentioned under the paragraph headed “Background of the Rights Issue and use of proceeds” in this letter.

LETTER FROM THE BOARD

FINANCIAL EFFECTS AND BUSINESS OUTLOOK

Financial effects

The purpose of the Disposal is to enhance the overall effectiveness and efficiency in utilizing the overall assets and resources of the Group, which includes Easyknit Enterprises and its subsidiaries. Upon Completion, Kingbest will cease to be a wholly-owned subsidiary of the Company and; thereafter, interest of the Company in the Kingbest Group will instead be held through its 41.0% equity interest in Easyknit Enterprises. The financial results of the Kingbest Group will continue to be consolidated by the Group upon completion of the Disposal (the “**Remaining Group**”). The financial effects of the Disposal on the Remaining Group is therefore minimal.

Earnings

The Disposal has no impact to the profit and loss statement of the Remaining Group.

Total assets

As at 31 March 2014, the audited total assets of the Group were approximately HK\$5,283.0 million. Assuming completion of the Disposal, the Subscription and the Rights Issue took place on 31 March 2014, the unaudited pro forma total assets of the Remaining Group would be approximately HK\$5,464.6 million as set out in Appendix III to this circular.

Liabilities

As at 31 March 2014, the audited total liabilities of the Group were approximately HK\$1,838.8 million. Assuming completion of the Disposal, the Subscription and the Rights Issue took place on 31 March 2014, the unaudited pro forma total liabilities of the Remaining Group would not be affected as set out in Appendix III to this circular.

Net assets

As at 31 March 2014, the audited consolidated net tangible assets of the Group were approximately HK\$3,444.3 million. Assuming completion of the Disposal the Subscription and the Rights Issue took place on 31 March 2014, the unaudited pro forma net assets of the Remaining Group would be approximately HK\$3,625.8 million as set out in Appendix III to this circular.

LETTER FROM THE BOARD

Summary

As illustrated in the unaudited pro forma consolidated statements of financial position of the Group as set out in Appendix III to this circular, which has been prepared as if the Disposal, the Subscription and the Rights Issue had been completed on 31 March 2014, other than the legal and professional fees of approximately HK\$1.1 million relating to the Disposal, the total assets of the Group is expected to increase by approximately HK\$181.5 million to HK\$5,464.6 million, whilst there will be no effects on the total liabilities of the Group. On the same basis as illustrated in Appendix III to this circular, the pro forma unaudited consolidated net tangible assets (excluding the non-controlling interests) of the Group upon completion of the S&P Agreement and the Rights Issue will decrease slightly by approximately HK\$2.5 million from approximately HK\$2,728.5 million to HK\$2,726.0 million.

The Disposal and the Subscription will have no effect on the net profit attributable to the owners of the Company.

Details of the unaudited pro forma financial information of the Group following the completion of the Disposal, the Subscription and the Rights issue are set out in Appendix III to this circular.

Business outlook of the Remaining Group

The revenue of the Group for the year ended 31 March 2014 was approximately HK\$275.8 million, representing a decrease of approximately HK\$248.6 million or 47.4% from approximately HK\$524.4 million for the year ended 31 March 2013. The reason for the decrease was over 79% of property units of the 1 Victory has been sold up to the year ended 31 March 2013. Profit attributable to owners of the Company for the year ended 31 March 2014 amounted to approximately HK\$13.0 million (2013: profit of approximately HK\$647.0 million).

The Company will focus on the following aspect in its business segments in the year ending 31 March 2015:

Property investments

The management will continue to replenish its investment property portfolio by selecting and locating prospective retail acquisition targets so as to provide a steady rental income and a good potential for appreciation in the long run.

Property development

A new residential project, namely “PAXTON” has been formally launched with grand opening in July 2014; its sale revenue and related profits are going to be recognized in year 2014/15. For the recent months, many property developers have launched the sale of new property units and it creates a fierce competition in the property market. The management may adjust the marketing strategies to attract property users.

LETTER FROM THE BOARD

Garment sourcing and export business

For the year ended 31 March 2014, revenue of this segment recorded a decrease of 54.2% as compared with 2013; and a loss of approximately HK\$2,077,000.

The management understood that the increasing sourcing and labour costs, transfer of customer orders and other operating pressures are still affecting the garment industry, and the management will endeavor to strengthen the marketing strategies, to explore new markets and increase profit margins.

Investment in securities

For the year ended 31 March 2014, this segment recorded a profit of approximately HK\$8,564,000. Having the positive news of “Shanghai-HK Stock Connect”, the performance of this segment maintains steady. The management will take a cautious attitude towards investment strategy in order to secure stable returns at a minimal risk.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the consideration exceeds 75.0%, the disposal of the Kingbest Group will constitute a very substantial disposal for the Company under Rule 14.08 of the Listing Rules. It is subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

The aggregate consideration for the Subscription and the subscription under the previous rights issue of Easyknit Enterprises as announced on 3 October 2013 exceeds 25.0% but is less than 100.0% of the applicable percentage ratios (as defined under the Listing Rules) and therefore the Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the very substantial disposal of the Kingbest Group or the major transaction relating to the Subscription or should the aforesaid very substantial disposal and major transaction be put forward to the Shareholders for approval at a general meeting of the Company be required to abstain from voting on the resolution(s) approving these transactions.

SGM

The notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 20 October 2014 at 10:00 a.m. at which ordinary resolutions will be proposed to approve the S&P Agreement and the Subscription set out on pages N-1 and N-2 of this circular.

LETTER FROM THE BOARD

There had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in Easyknit International to third parties either especially or on a case-by-case basis.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll save for purely procedural or administrative matters. The chairman of the SGM will therefore exercise his power under Bye-Law 70 of the Company's bye-law to put each of the resolutions to be proposed at the SGM to the vote by way of poll. After the conclusion of the SGM, the poll results will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.easyknit.com).

RECOMMENDATION

Having considered the reasons for the Disposal together with the Consideration, the Board believes that the terms of the S&P Agreement are on normal commercial terms, in the ordinary and usual course of business, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Having taken into account that (i) the Rights Issue is able to strengthen the capital base of Easyknit Enterprises so that Easyknit Enterprises will be in a position to capture more business opportunities associated with its principal business engagements in the future; and (ii) the Undertakings are given in order to support and maintain the value of the Company's investment in Easyknit Enterprises, which will in turn provide the Company an opportunity to enjoy the future return of Easyknit Enterprises, the Board considers that the Subscription and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions approving the S&P Agreement, the Subscription and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

1. FINANCIAL SUMMARY OF THE GROUP**(i) Annual reports of the Group**

Financial information of the Group for the years ended 31 March 2012, 2013, and 2014 are disclosed in the annual reports of the Company for the years ended 31 March 2012, 2013, and 2014 respectively. They can be accessed on the websites of the Company (www.easyknit.com) and the Stock Exchange (www.hkexnews.hk).

(ii) Management discussion and analysis of the financial performance of the Group for the three years ended 31 March 2012, 2013 and 2014

For the year ended 31 March 2013 as compared to the year ended 31 March 2012

Overall

For the year ended 31 March 2013, the Group recorded a turnover of HK\$524,398,000, representing an increase of HK\$320,815,000 or 157.6% from HK\$203,583,000 for the year 2012. Profit attributable to owners of the Company for the year ended 31 March 2013 amounted to HK\$647,022,000 (2012: HK\$101,181,000). The increase in profit of HK\$545,841,000 was primarily attributable to, among other things, the gain arising in fair value changes of the investment properties for HK\$487,051,000; the gain for HK\$92,882,000 from the segment of property development; the gain on the deregistration of non-wholly owned subsidiaries of HK\$21,530,000; and the turn from loss to gain on the fair value changes of the investments held for trading for HK\$8,694,000.

The basic earnings per share for the year ended 31 March 2013 was HK\$8.15 (2012: basic earnings per share of HK\$1.27).

The Board has recommended the payment of final dividend of HK\$0.40 per share for the year ended 31 March 2013 (the "Final Dividend") (2012: HK\$0.04 per share).

During the year ended 31 March 2013, the Group was principally engaged in property investments, property development, garment sourcing and exporting businesses, loan financing and investment in securities.

Property investments***Hong Kong and Singapore***

The Group has investment properties in Hong Kong, Singapore and the PRC.

Turnover of the Group's property rental for the year under review was HK\$51,246,000 (2012: HK\$40,507,000), an increase of HK\$10,739,000 or 26.5% over the last year mainly due to increasing rental rates for retail properties in

Hong Kong as demand for retail properties continued to be driven by growing tourist and domestic spending. The Group's investment properties comprise mainly residential, commercial and industrial properties.

As at 31 March 2013, the Group's commercial and residential rental properties leased out 94.6% and 70.6% respectively. The industrial rental properties continued to maintain a high occupancy rate of 87.8%. The building management fee income was HK\$506,000 (2012: HK\$411,000).

During the year ended 31 March 2013, the Group completed the acquisitions of the following properties:

- (a) In May 2012, the Group completed the purchase of a property at the Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong at a consideration of HK\$180,000,000. Details of the property are set out in the Company's circular dated 22 March 2012.
- (b) In June 2012, the Group completed the purchase of 5 properties situated at No. 15 Matheson Street, Causeway Bay, Hong Kong at a total consideration of HK\$81,000,000. Details of the properties are set out in the Company's circular dated 25 June 2012.

At the year end date, the Group accounted for an increase in fair value of investment properties of HK\$487,051,000 (2012: HK\$5,302,000) based on a professional valuation.

PRC

The Group had 100% leased out 2 blocks of factory premises and partially leased out 4 blocks of dormitories, with a total gross floor area of 52,624 sq.m. in Huzhou, PRC, In addition, the construction works on a new factory block target to be completed by mid 2013.

The Group regularly reviews the existing tenant composition and seeks to enhance its optimum mix. The Group also continues to replenish its investment property portfolio by selecting and locating prospective retail acquisition targets. The Group believes that a well-balanced portfolio provides a steady rental income and a good potential for capital appreciation in the long run.

Property development

Turnover of property sales for the year ended 31 March 2013 was HK\$257,814,000, an increase of HK\$174,939,000 when compared with last year, and comprised mainly the sale of the residential units of One Victory. During the year ended 31 March 2013, residential property prices in Hong Kong maintained their rising trend on the back of solid demand from end users, though tough measures were introduced by the Hong Kong government to curb the residential property market.

Construction works of a residential project in Prince Edward Road West was scheduled to be completed by October 2013. It will offer about 49 units of 74,285 square feet gross floor area, and will be put on the market for sale in December 2013. Boasting uncompromising design and building quality, this property may set to become one of the most modern and stylish residential buildings in the areas.

In July 2012, the Group has completed the acquisitions of 6 units out of 8 units of a building at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong at a consideration of HK\$228,800,000. Details of the properties are set out in Company's circular dated 19 July 2012.

The Group continues actively seeking opportunities to replenish and add to its land bank through acquisitions at public auctions and by private agreements.

Garment sourcing and exporting businesses

The garment sourcing and exporting businesses segment was acquired by the Group on 25 October 2011 by increasing its control over the shareholdings of Easyknit Enterprises Holdings Limited ("EE") from 31.70% to 80.89% till 11 November 2011 via (i) acquiring a total of 61,775,205 EE shares (representing approximately 11.22%) from an independent third party at an aggregate consideration of HK\$18,533,000; and (ii) upon the close of the unconditional mandatory offer made by the Company to holders of EE shares, the Company acquired from the market and the general offer a total of 209,082,479 EE shares at an aggregate cash consideration of approximately HK\$62,713,000.

For the year ended 31 March 2013, this segment recorded a turnover of HK\$211,770,000 (2012: HK\$76,494,000) representing 176.9% increase comparing with 2012. Cost of sales for the year amounted to HK\$190,157,000 (2012: HK\$70,175,000) and the loss of this business segment was HK\$1,601,000 (2012: loss of HK\$3,898,000).

Investment in securities

The Group has maintained a portfolio of listed equity securities in Hong Kong. For the year ended 31 March 2013, this business segment has recorded a gain of HK\$15,433,000.

Liquidity and financial resources

As at 31 March 2013, the Group had bank balances and cash amounting to HK\$340,869,000 (2012: HK\$403,369,000). The Group's gearing ratio (total borrowings to total equity) as at 31 March 2013 was 0.24 (2012: 0.16). As at 31 March 2013, the Group's current ratio was 12.7 (2012: 9.8) which was calculated on the basis of current assets of HK\$1,494,383,000 (2012: HK\$1,168,143,000) to current liabilities of HK\$117,686,000 (2012: HK\$119,084,000). During the year ended 31 March 2013, the Group services its debts mainly through the internal generated resources and bank borrowings.

Capital structure

During the year ended 31 March 2013, there was no change to the share capital of the Company. As at 31 March 2013, the total number of issued ordinary shares of the Company was 79,420,403 shares.

Charge on group assets

As at 31 March 2013, bank loans amounting to HK\$755,567,000 (2012: HK\$378,779,000) were secured by investment properties, properties held for development for sales and deposit and prepayments for a life insurance policy of the Group having an aggregate carrying value of HK\$1,939,755,000 (2012: HK\$667,500,000).

Material acquisitions and disposals***Subscription of rights shares of EE***

During the year, the Group has undertaken to EE and the underwriter of the rights issues of EE that:

- (a) a total of 199,225,335 rights shares were allotted and taken up in full on 3 October 2012, the subscription cost amounted to approximately HK\$15,340,351; and
- (b) a total of 149,419,000 rights shares were allotted and taken up in full on 11 January 2013, the subscription cost amounted to HK\$59,767,600.

The Group did not apply any excess rights shares in the above two rights issues. Details of the rights issues were set out in the Company's announcements dated 15 August 2012 and 11 October 2012.

Acquisition of a BVI Company

In July 2012, for the completion of the acquisitions of all issued shares and the sale loan of Total Expect Limited at a consideration of HK\$228,800,000, the Group became the owner of 6 units in a building located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. Details of the properties were set out in the Company's circular dated 19 July 2012.

Completion in the deregistration of PRC Companies

In April 2012, the Company has completed the deregistration of two PRC companies, namely Easyknit Dyeing and Printing (Huzhou) Co., Limited and Easyknit Weaving (Huzhou) Co., Limited to cease the bleaching, dyeing and knitting businesses in the PRC.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2013 (2012: nil).

Capital expenditure

During the year ended 31 March 2013, the Group spent HK\$9,553,000 (2012: HK\$875,000) on acquisition of property, plant and equipment.

Capital Commitments

As at 31 March 2013, the Group has capital commitments of HK\$5,492,000 (2012: HK\$171,850,000).

Employees

As at 31 March 2013, the Group had 57 employees (2012: 57). Staff costs (including directors' emoluments) amounted to HK\$25,628,000 for the year under review (2012: HK\$15,104,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has two share option schemes to motivate employees.

Prospects

The Group is well aware of the challenges ahead, but it also sees opportunities. Having pursued a tradition of prudent management for decades, the Group will leverage on its combined expertise in property development and property investment to enable the Group to establish a strong foothold in the markets, capture new development and investment opportunities in Hong Kong.

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.

With regard to the 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.

As in the past, 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.

For the year ended 31 March 2014 as compared to the year ended 31 March 2013

Overall

For the year ended 31 March 2014, the Group recorded a turnover of HK\$275,757,000, representing a decrease of HK\$248,641,000 or 47.4% from HK\$524,398,000 for the year 2013. Profit attributable to owners of the Company for the year ended 31 March 2014 amounted to HK\$13,036,000 (2013: profit of HK\$647,022,000). The significant decrease in profit of HK\$633,986,000 was primarily attributable to, among other things, the significant decrease of HK\$446,337,000 in fair value gain of the investment properties and the decrease of HK\$149,552,000 in property sales.

The basic earnings per share for the year ended 31 March 2014 was HK\$0.16 (2013: basic earnings per share of HK\$8.15).

The Board has recommended the payment of final dividend of HK\$0.10 per share for the year ended 31 March 2014 (the “**Final Dividend**”) (2013: HK\$0.40 per share).

During the year, the Group was principally engaged in property investments, property development, garment sourcing and export businesses, loan financing and investment in securities.

Property investments

The Group has investment properties in Hong Kong, Singapore and the People's Republic of China (the “**PRC**”).

Hong Kong, Singapore and the PRC

Turnover of the Group's property rental for the year under review was HK\$63,433,000 (2013: HK\$51,246,000), an increase of HK\$12,187,000 or 23.8% over the last year mainly due to the increasing rental rates for retail properties in Hong Kong as demand for retail properties continued to be driven by growing tourist and domestic spending. The Group's investment properties comprise mainly residential, commercial and industrial properties.

As at 31 March 2014, the Group's commercial and residential rental properties in Hong Kong and Singapore were leased 100% and 67% respectively. The industrial rental properties continued to maintain a high occupancy rate of 94%. The property management fee income was HK\$547,000 (2013: HK\$506,000).

At the year ended 31 March 2014, the Group based on professional valuations accounted for a decrease in fair value gain of investment properties to HK\$40,714,000 (2013: HK\$487,051,000).

The Group had leased out 3 blocks of factory premises and partially leased out 4 blocks of dormitories, with a total gross floor area of 63,891 sq.m. in Huzhou, the PRC. In addition, further construction works are on hand.

The Group regularly reviews the existing tenant composition and seeks to enhance its optimum mix. The Group also continues to replenish its investment property portfolio by selecting and locating prospective retail acquisition targets. The Group believes that a well-balanced portfolio provides a steady rental income and a good potential for capital appreciation in the long run.

Property development

For the year ended 31 March 2014, the total revenue derived from the property sales of One Victory was HK\$108,262,000 (2013: HK\$257,814,000).

A residential project, namely "PAXTON", at No. 311-313 Prince Edward Road West which offers about 49 units of 74,285 square feet gross floor area has been formally launched with grand opening in July 2014.

Another residential project at No. 301 Prince Edward Road West has commenced the demolition works.

With the completion of the acquisitions of remaining 2 units out of 8 units of a building at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong at a consideration of HK\$49,300,000 in July 2013, the Group became the sole owner of the whole building and demolition works of such building were commenced in June 2014.

Garment sourcing and export businesses

For the year ended 31 March 2014, this segment recorded a turnover of HK\$96,969,000 (2013: HK\$211,770,000) representing 54.2% decrease comparing with 2013. Cost of sales for the year amounted to HK\$86,361,000 (2013: HK\$190,157,000) and the loss of this business segment was HK\$2,077,000 (2013: loss of HK\$1,601,000).

Investment in securities

The Group has maintained a portfolio of listed equity securities in Hong Kong. For the year ended 31 March 2014, this business segment has recorded a profit of HK\$8,564,000 (2013: HK\$15,433,000).

Liquidity and financial resources

The Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2014, the Group's bank borrowings amounted to HK\$1,741,162,000 (2013: HK\$755,567,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, for the year was 0.51 (2013: 0.24).

As at 31 March 2014, the Group has net current assets of HK\$2,454,382,000 (2013: HK\$1,376,697,000). Current ratio was 21.5 (2013: 12.7). The bank balances and cash as at 31 March 2014 was HK\$601,139,000 (2013: HK\$340,869,000).

Capital structure

During the year ended 31 March 2014, there was no change to the share capital of the Company. As at 31 March 2014, the total number of issued ordinary shares of the Company was 79,420,403 shares.

Charge on group assets

As at 31 March 2014, bank loans amounting to HK\$1,741,162,000 (2013: HK\$755,567,000) were secured by investment properties, properties held for development for sale; and deposit and prepayments for a life insurance policy of the Group having a net book value of HK\$3,074,249,000 (2013: HK\$1,939,755,000).

Exposure on foreign exchange fluctuations

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

Material acquisitions and disposals***Easyknit Enterprises Holdings Limited (“EE”)***

(i) Subscription of rights shares of EE

During the year, the Group has undertaken to EE and the underwriter of the subscription of the rights issues of EE that:

- (a) a total of 537,908,400 rights shares were allotted and taken up in full on 19 June 2013, the subscription cost amounted to HK\$53,790,840; and
- (b) a total of 89,651,395 rights shares were allotted and taken up in full on 13 December 2013, the subscription cost amounted to HK\$53,790,837.

The Group did not apply any excess rights shares in the above 2 rights issues. Details of the rights issues were set out in the Company’s announcements dated 5 April 2013 and 3 October 2013 respectively.

(ii) Deemed disposal of interests in EE

Upon the completion of placing of 329,540,000 new EE shares by EE to independent investors on 24 September 2013, the Group’s interests in EE was diluted from 43.52% to 36.27% and EE became an associate of the Group.

(iii) Subscription of a Convertible Note of EE

On 16 January 2014, the Group subscribed 2% coupon rate convertible note in the aggregate principal amount of HK\$100,000,000 issued by EE, with the maturity date on 27 March 2019 (“**EE Convertible Note**”). The EE Convertible Note can be converted, in an amount of not less than HK\$10,000,000, into new ordinary shares of EE at any time within a period of 5 years, following the date of issue at a conversion price of HK\$0.68 per EE share. Upon the completion of the subscription and issuance of the EE Convertible Note was taken place on 27 March 2014, EE ceased to be an associate of the Group and is now accounted for as a subsidiary of the Group. Accordingly, EE’s assets, liabilities, cash flows and results are consolidated into the consolidated financial statements of the Group.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2014 (2013: nil).

Capital expenditure

During the year ended 31 March 2014, the Group spent HK\$21,000 (2013: HK\$9,553,000) on the acquisition of property, plant and equipment.

Capital commitments

As at 31 March 2014, the Group has capital commitments of HK\$24,356,000 (2013: HK\$5,492,000).

Changes in fair value of investment properties

As at 31 March 2014, the gain arising on changes of fair value of investment properties decreased by 91.6% or HK\$446,337,000 to HK\$40,714,000.

Finance costs

Finance costs was HK\$14,358,000, increased by HK\$4,084,000 or 39.8% for the year from HK\$10,274,000 in 2013 which was mainly due to the increase in bank loans.

Events after the reporting period

- (i) On 3 April 2014, the convertible note (for the purpose of this section defined as “**EE Convertible Note**”) in the principal amount of HK\$20,000,000 was converted to 29,411,764 ordinary shares of EE (for the purpose of this section defined as “**EE share(s)**”) at a conversion price of HK\$0.68 per EE share. On 18 June 2014, EE announced the conversion price of the EE Convertible Note has been adjusted from HK\$0.68 per EE share to HK\$0.66 per EE share. Further details of the adjustment of the conversion price are set out in the joint announcement of the Company and EE dated 18 June 2014.
- (ii) On 30 April 2014, EE has entered into a provisional sale and purchase agreement with an independent third party to buy a property situated at the Ground Floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000. The completion of the sale and purchase is scheduled to be taken place on or before 29 August 2014 and the EE shareholders’ approval has been obtained in the special general meeting of EE held on 18 June 2014.
- (iii) On 16 June 2014, a wholly-owned subsidiary of the Company entered into a development agreement with an independent third party for joint redevelopment of a building located at Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong of which the Group is the registered owner of 9 out of 12 units and the independent third party is the registered owner of the remaining 3 units. The aggregate redevelopment cost is presently estimated to be approximately HK\$460 million. The Group and

the independent third party will bear the cost and share the economic interests in the joint redevelopment on a 75:25 basis. Details of the joint redevelopment are set out in the announcement of the Company dated 16 June 2014.

- (iv) Upon the completion of placing of 65,200,000 new EE shares by EE to independent investors on 18 June 2014, the Group's interests in EE was diluted from 42.02% to 35.02%. As such, the placing was treated as deemed disposal of the interests in EE by the Group. As at 25 June 2014 (the date of the annual report), the Company is also interested in the 121,212,121 underlying EE shares, representing approximately 30.98% of the existing issued share capital of EE. EE is a subsidiary of the Company.

Employees

As at 31 March 2014, the Group had a total of 56 employees (2013: 57 employees). Staff costs (including directors' emoluments) amounted to HK\$47,143,000 for the year under review (2013: HK\$25,628,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has two share option schemes to motivate employees.

Prospects

Hong Kong's economy is expected to record modest growth supported by low levels of employment and inflation. We expect the operating environment for residential property will remain challenging under the government's cooling measures. Escalating construction costs are also impacting developers' risk assessments for new project developments. However, we believe the residential property market will remain resilient in view of low mortgage rates, tight supply in the urban and luxurious areas, as well as domestic household demand. The government's plan to boost land supply will support the property market's healthy development in the long run. The sales revenue of the residential project, PAXTON, at No. 311-313 Prince Edward Road West and its related profits are going to be recognized in year 2014/15.

Increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The Group is dedicated to maintain good and close relationship with valuable customers, strengthen its current sales and marketing strategies to meet the prevailing trend of the garment industry, and explore new markets and increase profit margins. The Group will keep on optimizing the securities investment portfolio and will insist on a cautious attitude towards investment strategy in order to secure stable returns at a minimal risk. Although the prospects of the global economy are still full of uncertainties, the Group is confident that it is well positioned with the right strategic moves, harvest of which can be enjoyed by the shareholders in the coming years.

2. FINANCIAL SUMMARY OF EASYKNIT ENTERPRISES AND ITS SUBSIDIARIES**(i) Annual report of Easyknit Enterprises and its subsidiaries**

Financial information of Easyknit Enterprises and its subsidiaries for the years ended 31 March 2012, 2013, and 2014 are disclosed in the annual reports of Easyknit Enterprises for the years ended 31 March 2012, 2013, and 2014 respectively. They can be accessed on the websites of Easyknit Enterprises (www.easyknitenterp.com) and the Stock Exchange (www.hkexnews.hk).

(ii) Management discussion and analysis of the financial performance of Easyknit Enterprises for the three years ended 31 March 2012, 2013 and 2014

For the year ended 31 March 2013 as compared to the year ended 31 March 2012

Overall

For the year ended 31 March 2013, the Easyknit Enterprises and its subsidiaries (for the purpose of this section defined as “**EE**” and the “**EE Group**” respectively) recorded a turnover of HK\$223,756,000, representing a decrease of HK\$63,160,000 or 22.0% from HK\$286,916,000 for the year 2012. Profit attributable to owners of EE for the year ended 31 March 2013 amounted to HK\$4,695,000 (2012: loss of HK\$34,762,000). The profit was mainly attributable to, among other things, a profit of HK\$26,617,000 arising on discontinued operations of bleaching, dyeing and knitting businesses by deregistering two PRC subsidiaries; the turn from loss to gain of HK\$5,758,000 on fair value changes of investments held for trading; and no further impairment losses recognised on goodwill and intangible assets in the garment sourcing and exporting businesses.

The basic earnings per share for the year ended 31 March 2013 was HK\$0.024 (2012: basic loss per share of HK\$0.979).

The board of directors of EE (for the purpose of this section defined as the “EE Board”) does not recommend the payment of final dividend for the year ended 31 March 2013 (2012: nil).

During the year ended 31 March 2013, the EE Group was principally engaged in the business of garment sourcing and exporting businesses, property investments, investment in securities and loan financing.

Geographical analysis of turnover

During the year ended 31 March 2013, turnover from garment sourcing and exporting businesses was mainly derived from customers in the USA. Rental income from the investment properties were derived from properties located in Hong Kong and the PRC.

(i) *Garment sourcing and exporting businesses*

For the year ended 31 March 2013, this segment recorded a turnover of HK\$211,770,000 (2012: HK\$280,918,000) representing 24.6% decrease comparing with 2012. Cost of sales for the year amounted to HK\$190,157,000 (2012: HK\$256,138,000). The loss of HK\$1,601,000 (2012: loss of HK\$61,799,000) was mainly due to the decrease of turnover despite Easyknit Enterprises's efforts to improve the profit margin.

(ii) *Property investments*

Turnover from the property investments segment increased by 96.4% to HK\$11,780,000 for the year ended 31 March 2013 as compared to 2012 (2012: HK\$5,998,000) of which HK\$7,492,000 and HK\$4,288,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover primarily are attributed to the acquisition of the investment properties; the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

Easyknit Enterprises has two blocks of factory premises and four blocks of dormitories with a total gross floor area of 52,624 sq.m. in Huzhou, PRC. In addition, the construction works on a new factory block target to be completed by mid 2013.

(iii) *Investment in securities*

Easyknit Enterprises has maintained a portfolio of listed securities in Hong Kong which are held for investments and for the year ended 31 March 2013, this segment has recorded a gain of HK\$7,472,000.

Liquidity and financial resources

As at 31 March 2013, Easyknit Enterprises had bank balances and cash amounting to HK\$277,411,000 (2012: HK\$205,477,000). The gearing ratio of Easyknit Enterprises was 0.21 (2012: nil). As at 31 March 2013, Easyknit Enterprises's current ratio was 11.9 (2012: approximately 7.1) which was calculated on the basis of current assets of HK\$373,464,000 (2012: HK\$290,253,000) to current liabilities of HK\$31,298,000 (2012: HK\$41,012,000). During the year ended 31 March 2013, Easyknit Enterprises financed its projects and operation primarily through shareholders equity and bank borrowings.

Capital structure

- (i) On 12 June 2012, Easyknit Enterprises completed the placing of 97,470,000 new shares to not less than six placees at a placing price of HK\$0.141 per share. Easyknit Enterprises raised HK\$13,606,000 (net of expenses).

- (ii) On 31 July 2012, Easyknit Enterprises completed the placing of 114,700,000 new shares to not less than six places at a placing price of HK\$0.106 per share. Easyknit Enterprises raised HK\$12,037,000 (net of expenses).
- (iii) On 3 October 2012, Easyknit Enterprises completed the raising of HK\$29,229,000 (net of expenses) by way of rights issue of 381,428,337 rights shares at the subscription price of HK\$0.077 per rights share on the basis of 1 rights share for every 2 shares held.
- (iv) On 10 December 2012, Easyknit Enterprises completed the capital reorganization, among other things, to consolidate every 20 issued and unissued shares of HK\$0.01 each into 1 consolidated share of HK\$0.20 each; and on 11 January 2013, completed the raising of HK\$113,875,000 (net of expenses) by way of the rights issue of 286,071,250 rights shares at a subscription price of HK\$0.40 per rights share on the basis of 5 rights shares for every one share held.
- (v) On 18 February 2013, Easyknit Enterprises completed the placing of 68,656,000 new shares to not less than six places at a placing price of HK\$0.44 per share. Easyknit Enterprises raised HK\$29,906,000 (net of expenses).

As at 31 March 2013, the total number of issued ordinary shares of Easyknit Enterprises was 411,941,500 (2012: 550,686,675 shares).

Charge on assets

As at 31 March 2013, bank loans amounting to HK\$168,687,000 (2012: nil) were secured by the investment properties of Easyknit Enterprises having a net book value of HK\$372,000,000.

Material acquisitions and disposals

During the year ended 31 March 2013, Easyknit Enterprises has acquired 5 properties in 15 Matheson Street and a property at ground floor of 6 Cannon Street, Causeway Bay, Hong Kong. Furthermore, Easyknit Enterprises has completed the deregistration of 2 PRC subsidiaries, namely Easyknit Dyeing and Printing (Huzhou) Co., Limited and Easyknit Weaving (Huzhou) Co., Limited, in April 2012. The deregistration of the aforesaid 2 subsidiaries was resolved by the directors of Easyknit Enterprises in November 2009 to cease the bleaching, dyeing and knitting businesses in the PRC.

Exposure on foreign exchange fluctuations

Most of Easyknit Enterprises' revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year, Easyknit Enterprises did not have significant exposure to the fluctuation in exchange rates and thus, no financial

instrument for hedging purposes was employed. The directors of Easyknit Enterprises considered the risk of exposure to the currency fluctuation to be minimal.

Contingent liabilities

Easyknit Enterprises did not have any significant contingent liabilities as at 31 March 2013 (2012: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2013, Easyknit Enterprises spent HK\$279,422,000 (2012: HK\$2,243,000) on the acquisition of investment properties.

As at 31 March 2013, Easyknit Enterprises had capital commitments in respect of capital expenditure contracted for but not provided of HK\$5,016,000 (2012: HK\$171,850,000).

Employees

As at 31 March 2013, the EE Group had 39 employees (2012: 43). Staff costs (including directors' emoluments) amounted to HK\$13,705,000 for the year ended 31 March 2013 (2012: HK\$14,515,000). The EE Group remunerates its employees based on their performance, experience and prevailing industry practice. The EE Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The EE Group has a share option scheme to motivate valued employees.

Prospects

Looking ahead to 2013/14, the global economy is going to be faced with a number of uncertainties, which stems from the negative news on the European and American debt crisis from time to time, the softer-than-expected pace of economic recovery in the US and Japan, plus the slowdown in rate of economic growth in the PRC. Therefore, the EE Board estimates that the investment and business landscape will remain challenging in the coming year.

The operating environment of the garment sourcing and exporting businesses was still challenging due to record high price of cotton, continued appreciation of Renminbi against US dollars and overall price surge resulting from inflation. However, EE will continue to enhance its competitiveness by providing customers with more products of better quality and design.

For the property investment, although the newly launched tax measures on residential flats to buyers in Hong Kong will inevitably cause adverse impact on the residential property market in short run, the underlying housing demand is anticipated to remain strong due to the continuing demographic development, low

mortgage rates and limited supply of new units. To better the position to cope with the uncertainties on global economy and changing local policy, the EE Group will continue seeking opportunities in the acquisition of properties in good locations, keep on revising and adjusting development plans, marketing strategies to tackle the changes in the market conditions. The EE Group expected that revenue and contribution from property investment segment would continue to grow and become one of the EE Group's major recurring and reliable income sources.

With regard to the securities investment business, the EE Board will stick to a prudent principle in its investment strategy in focusing on investment vehicles which are relatively lower risks in order to secure stable returns at a minimal risk.

Going forward, the EE Group will vigilantly strengthen its core business and operations with a view to undertaking steady progress in a constantly challenging market. In addition, the EE Group will keep on exploring the investment opportunities in hotel and service apartment projects, notwithstanding, EE currently has not identified any specific acquisition target. As in the past, the EE 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.

For the year ended 31 March 2014 as compared to the year ended 31 March 2013

Overall

For the year ended 31 March 2014, the EE Group recorded a turnover of HK\$156,940,000, representing a decrease of HK\$66,816,000 or 29.9% from HK\$223,756,000 for the year 2013. Loss attributable to owners of Easyknit Enterprises for the year ended 31 March 2014 amounted to HK\$2,541,000 (2013: profit of HK\$4,695,000). The loss was mainly attributable to a change from gain of HK\$5,758,000 to a loss of HK\$2,877,000 on fair value changes of investments held for trading; and loss of HK\$1,439,000 on fair value changes of financial assets designated at fair value through profit or loss. Despite there was a significant decrease in loss on changes in fair value of investment properties but there was no one off gain arising from the discontinued operations, therefore the EE Group still recorded a loss for the year ended 31 March 2014 as compared to the previous year.

The basic loss per share from continuing and discontinued operations for the year ended 31 March 2014 was HK\$0.012 (2013: basic earnings per share of HK\$0.194).

The EE Board does not recommend the payment of final dividend for the year ended 31 March 2014 (2013: nil).

During the year, the EE Group was principally engaged in the business of garment sourcing and export businesses, property investments, investment in securities and loan financing.

Geographical analysis of turnover

During the year ended 31 March 2014, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties were derived from properties located in Hong Kong and the People's Republic of China ("PRC").

(i) Garment sourcing and export businesses

For the year ended 31 March 2014, this segment recorded a turnover of HK\$142,138,000 (2013: HK\$211,770,000) representing 32.9% decrease comparing with year 2013. Cost of sales for the year ended 31 March 2014 amounted to HK\$126,790,000 (2013: HK\$190,157,000). The loss of HK\$4,908,000 (2013: loss of HK\$1,601,000) was mainly due to the decrease of turnover despite Easyknit Enterprises's efforts to improve the profit margin.

(ii) Property investments

Turnover from the property investments segment increased by 18.2% to HK\$13,927,000 for the year ended 31 March 2014 (2013: HK\$11,780,000) of which HK\$8,307,000 and HK\$5,620,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

Easyknit Enterprises has three blocks of factory premises and four blocks of dormitories with a total gross floor area of approximately 63,891 sq.m. in Huzhou, PRC; further construction works are on hand.

(iii) Investment in securities

Easyknit Enterprises has maintained a portfolio of listed equity securities in Hong Kong with available-for-sale investments and investments held for trading. For the year ended 31 March 2014, this segment has recorded a loss of HK\$1,738,000 (2013: profit of HK\$7,472,000).

Liquidity and financial resources

As at 31 March 2014, total assets of Easyknit Enterprises amounted to HK\$1,389,502,000 (2013: HK\$1,003,979,000). In terms of financial resources as at 31 March 2014, Easyknit Enterprises's total bank balances and cash was HK\$589,458,000 (2013: HK\$277,411,000), of which, approximately RMB61 million (equivalent to approximately HK\$75 million) was tied up in the PRC as investment capital.

Easyknit Enterprises' capital base has been strengthened as a result of a total net proceeds of approximately HK\$386,700,000 raised through the completion of issuing rights shares of approximately HK\$122,000,000 and approximately HK\$146,000,000 on 19 June 2013 and 13 December 2013 respectively; by the completion of placing new shares of approximately HK\$20,000,000 on 24 September 2013; and by the completion of issuing convertible note of approximately HK\$98,700,000 on 27 March 2014.

As at 31 March 2014, Easyknit Enterprises has total bank borrowings of HK\$161,902,000 (2013: HK\$168,687,000). Easyknit Enterprises's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.14 (2013: 0.21). As at 31 March 2014, Easyknit Enterprises's current ratio was 19.7 (2013: 11.9).

Easyknit Enterprises financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund raising

- (i) On 11 September 2013, Easyknit Enterprises entered into a placing agreement with a placing agent pursuant to which, Easyknit Enterprises has agreed to allot and issue, and the placing agent has agreed to place 329,540,000 placing shares to independent investors at a placing price of HK\$0.063 per share.

The placing was completed on 24 September 2013 and the entire 329,540,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$20,000,000 and intended to be utilised as the general working capital, as at the date of the announcement, the same has been fully deployed as general working capital.

- (ii) On 27 March 2014, Easyknit Enterprises completed the issue of a convertible note (the "**Convertible Note**") in an aggregate principal amount of HK\$100,000,000 to Goodco Development Limited, which is a substantial shareholder of Easyknit Enterprises. The net proceeds of approximately HK\$98,700,000 raised from the issue of the Conversion Note is intended to be applied for the acquisition and redevelopment of the buildings located at No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong.

As at 31 March 2014, the total number of issued ordinary shares of Easyknit Enterprises was 296,595,900 shares (2013: 411,941,500 shares).

Details of Convertible Note

On 3 April 2014, the conversion rights attaching to the Convertible Note have been partially exercised for HK\$20,000,000 and a total of 29,411,764 conversion shares were issued upon conversion. Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the Convertible Note has been adjusted from HK\$0.68 per share to HK\$0.66 per share.

Charge on assets

As at 31 March 2014, Easyknit Enterprises had bank loans amounting to HK\$161,902,000 (2013: HK\$168,687,000) which were secured by the investment properties of Easyknit Enterprises with an aggregate net book value of HK\$372,000,000 (2013: HK\$372,000,000).

Material acquisitions and disposals

Easyknit Enterprises had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2014.

Exposure on foreign exchange fluctuations

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

Contingent liabilities

Easyknit Enterprises did not have any significant contingent liabilities as at 31 March 2014 (2013: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2014, Easyknit Enterprises spent approximately HK\$551,000 (2013: HK\$8,915,000) on the acquisition of property, plant and equipment, and spent approximately HK\$28,410,000 (2013: HK\$279,422,000) on addition of investment properties.

As at 31 March 2014, Easyknit Enterprises had capital commitments in respect of capital expenditure contracted for but not provided of HK\$14,311,000 (2013: HK\$5,016,000).

Changes in fair value of investment properties

During the year ended 31 March 2014, there was a decrease of 97.9% in the loss on changes in fair value of investment properties to HK\$660,000 (2013: loss of HK\$30,790,000).

Finance costs

Finance costs was HK\$4,577,000, increased by HK\$487,000 or 11.9% for the year from HK\$4,090,000 in 2013.

Employees

As at 31 March 2014, Easyknit Enterprises had 38 employees (2013: 39). Staff costs (including directors' emoluments) amounted to HK\$15,107,000 for the year under review (2013: HK\$13,705,000). Easyknit Enterprises remunerates its employees based on their performance, experience and prevailing industry practice. Easyknit Enterprises has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. Easyknit Enterprises has a share option scheme to motivate valued employees.

Events after the reporting period

- (i) On 30 April 2014, Easyknit Enterprises entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated at the Ground Floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000. The completion of the sale and purchase is scheduled to be taken place on or before 29 August 2014; and the shareholders' approval has been obtained in the special general meeting of Easyknit Enterprises held on 18 June 2014.
- (ii) On 6 June 2014, Easyknit Enterprises entered into a placing agreement with a placing agent pursuant to which, Easyknit Enterprises has agreed to allot and issue, and the placing agent has agreed to place 65,200,000 placing shares to independent investors at a placing price of HK\$0.35 per share.

The placing was completed on 18 June 2014 and the entire 65,200,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$22,500,000 and intended to be used as the general working capital.

- (iii) Upon the completion of the placing of 65,200,000 placing shares on 18 June 2014, the conversion price of the Convertible Note has been adjusted from HK\$0.68 per share to HK\$0.66 per share. Accordingly, 121,212,121 shares shall be issued by Easyknit Enterprises to Goodco Development Limited upon conversion of the Convertible Note in the aggregate principal amount of HK\$80,000,000 in full at the prevailing conversion price of HK\$0.66 per share.

Prospects

Looking forward to year 2014/15, despite of a number of uncertainties are still affecting the global financial market, such as adjustments to the macroeconomic policies of major economies and geopolitical tensions, the low interest environment is likely to continue, which favours the economic recovery. The global economy is on the track of more solid economic recovery proven by the major indicators. The unemployment rate of the US economy is improved. European countries are also showing signs of upturn. It is expected that China will continue with its medium to high speed of economic growth with the support of full-scale commencement of internal reforms and the determination of macroeconomic policies.

Increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The EE Group is dedicated to maintain good and close relationship with valuable customers, strengthen its current sales and marketing strategies to meet the prevailing trend of the garment industry, and explore new markets and increase profit margins.

The residential property market continues to be quiet since the introduction of the various control policies by the local government. Nevertheless, the EE Group remains confident and optimistic towards the residential property market with the environment of low mortgage rates, tight supply in the urban and luxurious areas, as well as strong domestic household demand.

There are many difficulties in the operating environment, but they breed development opportunities as well. The business growth of the EE Group is expected to accelerate and accordingly, the positive outcomes will be gradually reflected in the future with the recovery of the worldwide economy. The EE Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the EE Group and its shareholders as a whole.

3. WORKING CAPITAL

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

4. INDEBTEDNESS

At the close of business on 31 August 2014, 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\$1,772.4 million, which were guaranteed by the Company and were secured by certain properties of the Group. The bank borrowings comprised bank loans of approximately HK\$1,771.1 million and interest payable of approximately HK\$1.3 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 August 2014 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.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Hong Kong's economy is expected to record modest growth supported by low levels of employment and inflation. The Group expects the operating environment for residential property will remain challenging under the government's cooling measures. Escalating construction costs are also impacting developers' risk assessments for new project developments. However, the Group believes the residential property market will remain resilient in view of low mortgage rates, tight supply in the urban and luxurious areas, as well as domestic household demand. The government's plan to boost land supply will support the property market's healthy development in the long run.

Increasing sourcing and labour costs, transfer of customer orders and other operating pressure are still affecting the garment industry. The Group is dedicated to maintaining good and close relationship with valuable customers, strengthening its current sales and marketing strategies to meet the prevailing trend of the garment industry, and exploring new markets and increase profit margins.

The Group will keep on optimizing the securities investment portfolio and will insist on a cautious attitude towards investment strategy in order to secure stable returns at a minimal risk.

Although the prospects of the global economy are still full of uncertainties, the Group is confident that the Group is well positioned with the right strategic moves, harvest of which can be enjoyed by the Shareholders in the coming years.

6. MATERIAL CHANGE

The Directors are not aware of any material change to the financial or trading position of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date, save as mentioned below:

- (a) As disclosed in the Company's announcement dated 30 April 2014, Easyknit Enterprises, through its indirectly wholly-owned subsidiary, acquired the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong, comprising shops A and B with a total saleable area of approximately 675 sq. ft.
- (b) As disclosed in the Company's announcement dated 16 June 2014, Hanford International Investment Limited, a wholly-owned subsidiary of the Company, had entered into a development agreement with Wise Think Global Limited to redevelop the Kowloon Inland Lot No. 2320 as tenant-in-common by joint efforts.

There has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group in the twelve months immediately preceding the date of this circular.

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, for the purpose of incorporation in this circular.

Deloitte.
德勤

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26 September 2014

The Directors
Easyknit International Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) regarding Kingbest Capital Holdings Limited (the “**Disposal Company**”) and its subsidiary (hereinafter collectively referred to as the “**Disposal Group**”) for each of the three years ended 31 March 2014 (the “**Relevant Periods**”), for inclusion in the circular issued by Easyknit International Holdings Limited (the “**Company**”) dated 26 September 2014 in connection with the proposed very substantial disposal of entire issued share capital of the Disposal Company (the “**Very Substantial Disposal**”) (the “**Circular**”).

The Disposal Company was incorporated with limited liability in the British Virgin Islands (the “**BVI**”) on 8 April 2009 and became a wholly-owned subsidiary of the Company since 6 October 2009.

At the end of the respective reporting period and the date of this report, the Disposal Company has interest in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Disposal Group			Date of this report	Principal activity
			2012	2013	2014		
Total Expect Limited (“ Total Expect ”)	BVI 22 May 2012	Ordinary share US\$1	-	100%	100%	100%	Property development
On Channel International Limited (“ On Channel ”)	Hong Kong 22 July 2011	Ordinary share HK\$1	100%	-	-	-	Property holding

No statutory financial statements have been prepared for the Disposal Company since its date of incorporation as it was incorporated in the BVI where there is no statutory audit requirement. The financial statements of Total Expect from 22 May 2012 (date of incorporation) to 31 March 2013 and the year ended 31 March 2014 and the statutory financial statements of On Channel for the period from 22 July 2011 (date of incorporation) to 31 March 2012 were prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing.

For the purpose of this report, the directors of the Disposal Company have prepared the consolidated financial statements of the Disposal Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the “**Underlying Financial Statements**”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Disposal Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for the inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Disposal Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Disposal Group as at 31 March 2012, 2013 and 2014, and of the results and cash flows of the Disposal Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	Year ended 31 March		
		2012	2013	2014
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other income	7	6,545	840,858	1,603,587
Gain on disposal of a subsidiary	16	–	8,457	–
Administrative and other expenses		<u>(110,117)</u>	<u>(294,580)</u>	<u>(316,722)</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Disposal Company	8	<u><u>(103,572)</u></u>	<u><u>554,735</u></u>	<u><u>1,286,865</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 March		
		2012	2013	2014
	NOTES	HK\$	HK\$	HK\$
Current assets				
Properties held for or under development for sale	11	–	236,866,642	296,598,516
Trade and other receivables	12	–	991,928	1,062,801
Bank balances		19,896	1,090,202	125,429
		<u>19,896</u>	<u>238,948,772</u>	<u>297,786,746</u>
Current liabilities				
Other payables		65,000	113,697	76,064
Rental deposits received		–	355,800	317,400
Amount due to ultimate holding company	13	663,425	238,605,733	296,236,533
Amount due to a fellow subsidiary	13	–	27,336	23,678
		<u>728,425</u>	<u>239,102,566</u>	<u>296,653,675</u>
Net current (liabilities) assets		<u>(708,529)</u>	<u>(153,794)</u>	<u>1,133,071</u>
Capital and reserves				
Share capital	14	8	8	8
Accumulated (losses) profits		(708,537)	(153,802)	1,133,063
(Deficit) equity attributable to owners of the Disposal Company		<u>(708,529)</u>	<u>(153,794)</u>	<u>1,133,071</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Accumulated (losses) profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2011	8	(604,965)	(604,957)
Loss and total comprehensive expense for the year	—	(103,572)	(103,572)
At 31 March 2012	8	(708,537)	(708,529)
Profit and total comprehensive income for the year	—	554,735	554,735
At 31 March 2013	8	(153,802)	(153,794)
Profit and total comprehensive income for the year	—	1,286,865	1,286,865
At 31 March 2014	<u>8</u>	<u>1,133,063</u>	<u>1,133,071</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 March		
		2012 HK\$	2013 HK\$	2014 HK\$
Cash flows from operating activities				
(Loss) profit for the year		(103,572)	554,735	1,286,865
Adjustments for:				
Gain on disposal of a subsidiary	16	—	(8,457)	—
Operating cash flows before movements in working capital		(103,572)	546,278	1,286,865
Increase in properties held for development for sale		—	(236,866,642)	(59,731,874)
Increase in trade and other receivables		—	(991,928)	(70,873)
Increase (decrease) in other payables		5,000	53,697	(37,633)
Increase (decrease) in rental deposits received		—	355,800	(38,400)
Increase (decrease) in amount due to a fellow subsidiary		—	27,336	(3,658)
Net cash used in operating activities		(98,572)	(236,875,459)	(58,595,573)
Net cash used in investing activity				
Net cash outflow from disposal of subsidiary	16	—	(6,543)	—
Net cash from financing activities				
advance from ultimate holding company		110,300	237,952,308	57,630,800
Net increase (decrease) in cash and cash equivalents		11,728	1,070,306	(964,773)
Cash and cash equivalent at beginning of the year		8,168	19,896	1,090,202
Cash and cash equivalent at end of the year, represented by bank balances		19,896	1,090,202	125,429

NOTES TO FINANCIAL INFORMATION**1. General**

Kingbest Capital Holdings Limited (the “**Disposal Company**”) is a private limited company incorporated in the British Virgin Islands. The Disposal Company’s immediate holding company is Easyknit Properties Holdings Limited, a company also incorporated in the British Virgin Islands. The Disposal Company’s ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office of the Disposal Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the address of its principal place of business is Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481- 483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Disposal Company acts as an investment holding company and the principal activities of its subsidiaries are as follows:

- Total Expect which is engaged in property development; and
- On Channel which is engaged in property holding.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Disposal Company.

2. Basis of preparation of the financial information

In preparing the Underlying Financial Statements, the directors of the Disposal Company had given careful considerations to the future liquidity of the Disposal Group in light of the fact that as at 31 March 2012 and 2013, the Disposal Group was in net capital deficit position and its current liabilities exceeded its current assets by approximately HK\$708,529 and HK\$153,794 respectively. As Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Disposal Group to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the Very Substantial Disposal, the directors of the Disposal Company are confident that the Disposal Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

The Disposal Group’s operating activities are attributable to a single reporting and operating segment focusing on property development. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies as disclosed in note 4 that are regularly reviewed by the directors of the Disposal Company.

The directors of the Disposal Company review the overall results of the Disposal Group as a whole to make decisions about resources allocation. Accordingly, no analysis of the single reporting segment is presented.

3. Application of HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Disposal Group has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1 April 2013.

The Disposal Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ³
HKFRS 14	Regulatory deferral accounts ⁵
HKFRS 15	Revenue from contracts with customers ⁷
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁶
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁶
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁶
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 27	Equity method in separate financial statements ⁶
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2016.

⁷ Effective for annual periods beginning on or after 1 January 2017.

The directors of the Disposal Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Financial Information.

4. Significant accounting policies

The Financial Information has been prepared under the historical cost basis and have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for the Relevant Periods continue to be those disclosures required under the predecessor Companies Ordinance (Cap 32). Historical cost is generally based on the fair value of the consideration given in exchange of goods and services. The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Disposal Company and its subsidiaries. Control is achieved when the Disposal Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Disposal Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Disposal Group obtains control over the subsidiary and ceases when the Disposal Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Disposal Group gains control until the date when the Disposal Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Disposal Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Disposal Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from letting of properties in the normal course of business.

Properties held for or under development for sale

Properties held for or under development for sale are classified as current assets and stated at the lower of cost and net realisable value.

Costs relating to the development of properties, including purchase costs of the properties for development and development costs, are capitalised and included as inventories of properties until such time when they are completed.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Disposal Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and amounts due to group companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Leasing

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

The Disposal Group as lessor

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Disposal Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

5. Capital risk management

The directors of Disposal Company manages its capital to ensure that the Disposal Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Disposal Group consists of debts, which includes amount due to ultimate holding company and amount due to a fellow subsidiary as disclosed in note 13, cash and cash equivalents and equity attributable to owners of the Disposal Company.

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

6. Financial instruments

Categories of financial instruments

	Year ended 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)			
Trade and other receivables	–	30,800	108,800
Bank balances	19,896	1,090,202	125,429
	<u>19,896</u>	<u>1,121,002</u>	<u>234,229</u>
Financial liabilities			
Amortised cost			
Other payables	–	25,600	–
Amount due to ultimate holding company	663,425	238,605,733	296,236,533
Amount due to a fellow subsidiary	–	27,336	23,678
	<u>663,425</u>	<u>238,658,669</u>	<u>296,260,211</u>

Financial risk management objectives and policies

The Disposal Group's major financial instruments include trade and other receivables, bank balances, other payables, rental deposits received and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Disposal Company is exposed to cash flow interest rate risk in relation to its variable-rate bank balances. The management considers the Disposal Company does not have significant exposure to cash flow interest rate risk for the year ended 31 March 2012, 31 March 2013 and 31 March 2014 because the increase or decrease of interest income from bank accounts as a result of a reasonably possible change in interest rate is not significant. Therefore, no sensitivity analysis has been presented.

Credit risk

The Disposal Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Disposal Group had concentration of credit risk as the Disposal Group's trade receivables as at 31 March 2013 and 31 March 2014 of HK\$12,000 and HK\$100,000, respectively, were derived from a few tenants. In order to minimise the credit risk, the directors of the Disposal Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Disposal Group's credit risk on trade receivables is significantly reduced.

The credit risk for bank balances exposed is considered minimal as such amount is placed with a banks with good credit rating.

Liquidity risk

The Disposal Group relies on the ultimate holding company as a significant source of liquidity. Easyknit International Holdings Limited has agreed to continuously provide adequate funds for the Disposal Group to meet in full its financial obligations as they fall due for the foreseeable future for and up to the date of the completion of the Very Substantial Disposal, the directors of the Disposal Company are confident that the Disposal Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

The following table details the Disposal Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Disposal Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average effective interest rate %	Less than one year or repayable on demand HK\$	Total undiscounted cash flows and carrying amount at 31 March HK\$
2012			
Non-derivative financial liabilities			
Amount due to ultimate holding company	–	663,425	663,425
		<u>663,425</u>	<u>663,425</u>
2013			
Non-derivative financial liabilities			
Other payables	–	25,600	25,600
Rental deposits received	–	355,800	355,800
Amount due to ultimate holding company	–	238,605,733	238,605,733
Amount due to a fellow subsidiary	–	27,336	27,336
		<u>239,014,469</u>	<u>239,014,469</u>
2014			
Non-derivative financial liabilities			
Rental deposits received	–	317,400	317,400
Amount due to ultimate holding company	–	296,236,533	296,236,533
Amount due to a fellow subsidiary	–	23,678	23,678
		<u>296,577,611</u>	<u>296,577,611</u>

Fair value of financial instruments that are not measured at fair value on a recurring basis

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

The directors of the Disposal Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

7. Other income

The amounts mainly represent rental income received or receivable from leasing of properties held for development for sale prior to commencement of property redevelopment work during the Relevant Periods.

8. (Loss) profit for the year

	Year ended 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit for the year has been arrived at after charging:			
Auditor's remuneration			
Current year	65,000	40,000	30,000
Over provision in prior years	—	(40,000)	(10,000)
	<u>65,000</u>	<u>—</u>	<u>20,000</u>
Directors' remuneration	—	—	—
Legal and professional fees and after crediting:	31,376	208,640	19,440
Gross rental income from properties held for development for sale	<u>—</u>	<u>828,358</u>	<u>1,600,963</u>

9. Taxation

No provision for Hong Kong Profits Tax has been made in the Financial Information as the Disposal Group has no assessable profit during the Relevant Periods.

Taxation for the year can be reconciled to the results per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit for the year	<u>(103,572)</u>	<u>554,735</u>	<u>1,286,865</u>
Tax (credit) charge of			
Hong Kong Profits			
Tax at 16.5%	(17,089)	91,531	212,333
Tax effect of expenses not			
deductible for tax purpose	3,501	33,000	–
Tax effect of income not			
taxable for tax purpose	–	(1,395)	–
Tax effect of tax losses not			
recognised for tax purpose	13,588	471,929	544,027
Others	<u>–</u>	<u>(595,065)</u>	<u>(756,360)</u>
Taxation for the year	<u>–</u>	<u>–</u>	<u>–</u>

The Disposal Group has unused tax losses of approximately HK\$211,000, HK\$3,057,000 and HK\$6,355,000 as at 31 March 2012, 31 March 2013 and 31 March 2014 respectively. The losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

10. (Loss) earnings per share

(Loss) earnings per share has not been presented as such information is not meaningful having regard to the purpose of this report.

11. Properties held for or under development for sale

	<i>HK\$</i>
At 1 April 2011 and 31 March 2012	–
Additions (<i>Note</i>)	236,866,642
At 31 March 2013	236,866,642
Additions	59,731,874
At 31 March 2014	296,598,516

At 31 March 2013 and 31 March 2014, the properties held for development for sale of HK\$236,866,642 and properties under development for sale of HK\$296,598,516 respectively were included in the Disposal Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Disposal Group's normal operating cycle for properties development. At 31 March 2014, the properties were already under development works.

At the end of each reporting period, the Disposal Group performed impairment assessment on its properties held for development for sale to assess their net realisable values with reference to valuations made by independent qualified professional property valuers not related to the Disposal Group. The valuations were arrived at by using the direct comparison method. As the net realisable values of the properties held for development are higher than their carrying amounts at the end of each reporting period, the directors of the Disposal Company are of the opinion that no impairment on these properties is considered necessary.

Note–

The additions during the year included an amount of HK\$61,750,000 arising from an acquisition of Total Expect which held certain property interests. This transaction is for the purpose of acquiring the property interests which were properties held for development for sale in the ordinary course of business, and has been accounted for as a purchase of assets rather than business combination. As such, the cash consideration of HK\$61,750,000 for acquisition of Total Expect is reflected in the cash flows used in the operating activities for the year ended 31 March 2013. On the date of acquisition, assets included deposits paid for acquisition of properties accounting to HK\$12,850,000, and the amount due to a former Shareholder amounting to HK\$12,850,000. Any additional consideration paid was treated as part of the purchase cost of the property interests. Further details of this transaction are set out in a circular of the Company dated 19 July 2012.

12. Trade and other receivables

	At 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	–	12,000	100,000
Prepaid development costs	–	961,128	954,001
Other receivables	–	18,800	8,800
	<u>–</u>	<u>991,928</u>	<u>1,062,801</u>

The Disposal Group do not allow credit period to its tenant as the monthly rental are payable in advance. The management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of good credit quality.

All of the Disposal Group's trade receivables are past due at the reporting date for which the Disposal Group has not provided for allowance. The Disposal Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	At 31 March		
	2012	2013	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Overdue by 1 to 60 days	–	12,000	46,656
Overdue by 61 to 90 days	–	–	28,344
Overdue by over 90 days	–	–	25,000
	<u>–</u>	<u>12,000</u>	<u>100,000</u>

No allowance is made for trade receivables that are past due but not impaired at the end of each reporting period as the amounts are expected to be subsequently recovered after the end of each reporting period.

13. Amounts due to ultimate holding company/a fellow subsidiary

The amounts are unsecured, interest-free and repayable on demand.

14. Share capital

Authorised:

50,000 ordinary shares of US\$1 each at 1 April 2011, 31 March 2012, 31 March 2013 and 31 March 2014	US\$50,000
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Issued and fully paid:

One ordinary share of US\$1 at 1 April 2011, 31 March 2012, 31 March 2013 and 31 March 2014	US\$1
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Shown in the Financial Information as	HK\$8
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15. Major non-cash transaction

During the year ended 31 March 2012, the Disposal Company transferred its properties held for development for sale whose carrying amount was HK\$65,844,262 to a fellow subsidiary. The consideration for the transfer was their carrying amounts, which were settled through reduction of the outstanding amounts to the current accounts owing to the immediate holding company and ultimate holding company.

16. Disposal of a subsidiary

On 19 June 2012, the Disposal Company disposed of its entire 100% equity interest in On Channel to a fellow subsidiary at nil consideration. The net assets of On Channel at the date of disposal were as follows:

	At date of disposal HK\$
Net assets (liabilities) disposed of:	
Bank balances and cash	6,543
Other payables	(5,000)
Amount due to ultimate holding company	(10,000)
	<u>(8,457)</u>
Gain on disposal of a subsidiary	<u>8,457</u>
Consideration	<u>—</u>
Analysis of the net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Bank balances and cash disposed of	<u>(6,543)</u>

17. Operating lease arrangements

At the end of each reporting period, the Disposal Group had contracted with tenants for the following future minimum lease payments in respect of the properties held for development under non-cancellable operating leases:

	At 31 March		
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Within one year	–	746,797	440,900
In the second to fifth years inclusive	–	–	75,000
	<u>–</u>	<u>746,797</u>	<u>515,900</u>

Under the leases entered into by the Disposal Group, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2013 and 31 March 2014, the properties held have committed tenants for a term of one year and one to two years respectively.

18. Related party transactions

In addition to the balances and transactions with related parties as disclosed in note 13, 15 and 16 and those shown in the consolidated statement of financial position, during the Relevant Periods, the Disposal Group entered into the following transaction with a related party:

	Year ended 31 March		
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Estate agency fee to a fellow subsidiary	–	27,336	49,630
	<u>–</u>	<u>27,336</u>	<u>49,630</u>

During the Relevant Periods, the directors remuneration and staff costs were borne by the ultimate holding company and fellow subsidiaries respectively. In the opinion of management of the Disposal Group, there is no reasonable basis to allocate the staff cost attributable to the Disposal Group.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the companies now comprising the Disposal Group have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

- (C) *The followings is the management discussion and analysis of the Kingbest Group for the three years ended 31 March 2012, 2013 and 2014*

For the year ended 31 March 2013 as compared to the year ended 31 March 2012

Property investments

Turnover from the property investments segment increased by 100.0% to HK\$0.8 million for the year ended 31 March 2013 as compared to 2012 (2012: nil). The Kingbest Group had completed the acquisition of 6 units at the Site during the year under review and those units had generated revenue as rental income.

Liquidity and financial resources

As at 31 March 2013, the Kingbest Group had bank balances and cash amounting to HK\$1,090,202 (2012: HK\$19,896). As at 31 March 2013, the Kingbest Group's current ratio was 1.0 (2012: approximately 0.03) which was calculated on the basis of current assets of HK\$238,948,772 (2012: HK\$19,896) to current liabilities of HK\$239,102,566 (2012: HK\$728,425). During the year, the Kingbest Group financed its projects and operation primarily through loans from ultimate holding company.

The Kingbest Group had amount due to the ultimate holding company, being the Company, of approximately HK\$238,605,733 as at 31 March 2013 (2012: HK\$663,425).

Capital structure

During the year ended 31 March 2013, there was no change to the share capital of Kingbest.

As at 31 March 2013, the total number of ordinary shares of Kingbest was 1 (2012: 1 share).

Charge on assets

The Kingbest Group did not have any charges on assets as at 31 March 2013.

Material acquisitions and disposals

During the year ended 31 March 2013, the Kingbest Group has acquired 6 units at the Site.

Exposure on foreign exchange fluctuations

The Kingbest Group did not have any exposure on foreign exchange fluctuation during the year under review.

Contingent liabilities

The Kingbest Group did not have any significant contingent liabilities as at 31 March 2013 (2012: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2013, the Kingbest Group did not have any capital expenditure or capital commitments.

For the year ended 31 March 2014 as compared to the year ended 31 March 2013

Property investments

Turnover from the property investments segment increased by 90.7% to HK\$1,603,587 for the year ended 31 March 2014 (2013: HK\$840,858). The Kingbest Group had acquired 2 units at the Site during the financial year under review and those units contributed to the increase of revenue for the year ended 31 March 2014.

Liquidity and financial resources

As at 31 March 2014, total assets of the Kingbest Group amounted to HK\$297,786,746 (2013: HK\$238,948,772). In terms of financial resources as at 31 March 2014, the Kingbest Group's total bank balances and cash was HK\$125,429 (2013: HK\$1,090,202).

The Kingbest Group's current ratio was approximately 1.0 as at 31 March 2014 (2013: approximately 1.0) which was calculated on the basis of current asset of HK\$297,786,746 (2013: HK\$238,948,772) to current liability of HK\$296,653,675 (2013: HK\$239,102,566). During the year, the Kingbest Group financed its operations primarily through loans from ultimate holding company.

The Kingbest Group had amount due to the ultimate holding company, being the Company, of approximately HK\$296,236,533 as at 31 March 2014 (2013: HK\$238,605,733).

Charge on assets

The Kingbest Group did not have any charges on assets as at 31 March 2014.

Material acquisitions and disposals

During the year ended 31 March 2014, the Kingbest Group has acquired 2 units at the Site.

Exposure on foreign exchange fluctuations

The Kingbest Group did not have any exposure on foreign exchange fluctuation during the year under review.

Contingent liabilities

The Kingbest Group did not have any significant contingent liabilities as at 31 March 2014 (2013: nil).

Capital expenditure and capital commitments

During the year ended 31 March 2014, the Kingbest Group did not have any capital expenditure or capital commitments.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following is an illustrative and unaudited consolidated pro forma statement of financial position 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 very substantial disposal of the Target Group (the “**Very Substantial Disposal**”) and the major transaction in relation to the subscription of Rights Shares pursuant to the undertakings in full acceptance of provisional entitlement under the Rights Issue of Easyknit Enterprises (the “**Undertakings**”) as if the Very Substantial Disposal and Undertakings have taken place on 31 March 2014. Pursuant to the S&P Agreement, the completion of disposal of the Target Group is conditional, among other things, Easyknit Enterprises having received the sums payable to it in the Rights Issue that is the subject of the Underwriting Agreement; and the approval of the S&P Agreement by the Easyknit Enterprises’ shareholders.

This unaudited pro forma consolidated statement of financial position 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 Very Substantial Disposal and Undertaking been completed as at 31 March 2014 or at any future dates.

	The Group at 31 March 2014 HK\$’000 (Audited) Note 1	Pro forma adjustments HK\$’000		Pro forma total at 31 March 2014 HK\$’000 (Unaudited)
		Note 2	Note 3	
Non-current assets				
Property, plant and equipment	37,306			37,306
Investment properties	2,520,390			2,520,390
Available-for-sale investments	70,555			70,555
Loans receivable	69,221			69,221
Deposit for acquisition of property, plant and equipment	1,901			1,901
Deposit and prepayment for a life insurance policy	9,805			9,805
	2,709,178	-	-	2,709,178
Current assets				
Properties held for development for sale	1,542,764			1,542,764
Properties held for sale	19,013			19,013
Investments held for trading	279,280			279,280
Fair value designated as at fair value through profit and loss	28,622			28,622
Trade and other receivables	19,248			19,248
Loans receivable	83,805			83,805
Bank balances and cash	601,139	182,648	(1,140)	782,647
	2,573,871	182,648	(1,140)	2,755,379
Current liabilities				
Trade and other payables	68,711			68,711
Tax payable	16,176			16,176
Secured bank borrowings	34,602			34,602
	119,489	-	-	119,489
Net current assets	2,454,382	182,648	(1,140)	2,635,890
Total assets less current liabilities	5,163,560	182,648	(1,140)	5,345,068
Non-current liabilities				
Secured bank borrowings	1,706,560			1,706,560
Deferred tax liabilities	12,735			12,735
	1,719,295	-	-	1,719,295
	3,444,265	182,648	(1,140)	3,625,773

	The Group at 31 March 2014	Pro forma adjustments		Pro forma total at 31 March 2014
	<i>HK\$'000</i> (Audited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> (Unaudited)
Capital and reserves				
Share capital	7,942			7,942
Reserves	<u>2,720,575</u>	(1,566)	(922)	<u>2,718,087</u>
Equity attributable to owners of the Company	2,728,517	(1,566)	(922)	2,726,029
Non-controlling interests	<u>715,748</u>	184,214	(218)	<u>899,744</u>
	<u>3,444,265</u>	182,648	(1,140)	<u>3,625,773</u>

Notes:

- The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2014, as set out in the published annual report of Easyknit International for the year ended 31 March 2014.
- The adjustment represents the estimated net proceeds from Easyknit Enterprises' Rights Issue of HK\$0.01 each at HK\$0.70 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share, of which gross proceeds of HK\$129,053,000 payable by Easyknit International to Easyknit Enterprises on 184,361,096 Rights Shares pursuant to the Undertakings is not presented in the unaudited pro forma financial information of the Group as it is set off against the consideration receivable from Easyknit Enterprises for the disposal of the Target Group pursuant to the S&P Agreement. In addition, no pro forma adjustment is presented to illustrate the financial effect of the net amount of consideration receivable from Easyknit Enterprises as it is eliminated in full in the unaudited pro forma financial information of the Group.

The estimated net proceeds from Rights Issue of HK\$182,648,000 is based 265,771,376 Rights Shares to non-controlling shareholders of Easyknit Enterprises as at the Latest Practicable Date, after deducting the estimated transaction costs of the Rights Issue, comprising legal and professional fees of HK\$300,000 incurred by Easyknit International in relation to the Undertakings which is charged to profit or loss, as well as HK\$3,092,000 incurred by Easyknit Enterprises in relation to the Rights Issue whereby HK\$1,266,000 is charged to profit or loss and HK\$1,826,000 is allocated to non-controlling shareholders.

- The amount represent estimated legal and professional fees of HK\$1,140,000 directly attributable to the S&P Agreement, of which HK\$370,000 is incurred by Easyknit Enterprises and therefore allocated to equity attributable to Easyknit International and non-controlling shareholders at an amount of HK\$152,000 and HK\$218,000 respectively.
- No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

**(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**

The following is an illustrative and unaudited pro forma consolidated statement of profit or loss and other comprehensive income 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 Very Substantial Disposal and Undertakings as if the Very Substantial Disposal and Undertakings have taken place on 1 April 2013. Pursuant to the S&P Agreement, the completion of disposal of the Target Group is conditional, among other things, Easyknit Enterprises having received the sums payable to it in the Rights Issue that is the subject of the Underwriting Agreement; and the approval of the S&P Agreement by the Easyknit Enterprises' shareholders.

This unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture for the financial performance of the Group for the year ended 31 March 2014 or for any future periods had the Very Substantial Disposal and Undertakings been completed at 1 April 2013.

	The Group for the year ended 31 March 2014	Pro forma adjustments		Pro forma total of the Group for the year ended 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)			(Unaudited)
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Turnover	275,757			275,757
Cost of goods sold and services rendered	(136,302)			(136,302)
Gross Profit	139,455			139,455
Other income	19,155			19,155
Distribution and selling expenses	(11,320)			(11,320)
Administrative expenses	(69,656)	(1,566)	(1,140)	(72,362)
Gain on changes in fair value of investment properties	40,714			40,714
Loss on changes in fair value of investments held for trading	(3,359)			(3,359)
Gain on disposal of available-for-sale investments	2,346			2,346
Loss of deemed disposal of subsidiaries	(348,604)			(348,604)
Share of results of associates	295,145			295,145
Loss on deemed disposal of associates	(333,884)			(333,884)
Gain from a bargain purchase	308,202			308,202
Finance costs	(14,358)			(14,358)

	The Group for the year ended 31 March 2014	Pro forma adjustments		Pro forma total of the Group for the year ended 31 March 2014
	<i>HK\$'000</i> (Audited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> (Unaudited)
Profit before taxation	23,836	(1,566)	(1,140)	21,130
Taxation charge	<u>(6,701)</u>			<u>(6,701)</u>
Profit for the year	<u>17,135</u>	(1,566)	(1,140)	<u>14,429</u>
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain on leasehold properties upon transfer to investment properties	14,566			14,566
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale investments	(3,740)			(3,740)
Exchange difference arising on translation of financial statements of foreign operations	(290)			(290)
Exchange difference released upon deemed disposal of subsidiaries	(10,071)			(10,071)
Released on disposal of available-for-sale investments	(2,346)			(2,346)
Share of investment reserve of associates	(268)			(268)
Share of translation reserve of associates	(1,310)			(1,310)
Release of investment reserve upon deemed disposal of associates	268			268
Release of translation reserve upon deemed disposal of associates	1,310			1,310
	<u>(16,447)</u>	–	–	<u>(16,447)</u>
Other comprehensive expense for the year	<u>(1,881)</u>	–	–	<u>(1,881)</u>
Total comprehensive income for the year	<u><u>15,254</u></u>	(1,566)	(1,140)	<u><u>12,548</u></u>
Profit for the year attribute to:				
– owners of the Company	13,036	(1,566)	(922)	10,548
– non-controlling interests	<u>4,099</u>		(218)	<u>3,881</u>
	<u><u>17,135</u></u>	(1,566)	(1,140)	<u><u>14,429</u></u>
Total comprehensive income for the year attribute to:				
– owners of the Company	9,221	(1,566)	(922)	6,733
– non-controlling interests	<u>6,033</u>		(218)	<u>5,815</u>
	<u><u>15,254</u></u>	(1,566)	(1,140)	<u><u>12,548</u></u>

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2014, as set out in the published annual report of Easyknit International for the year ended 31 March 2014.
2. The adjustment represents the estimated legal and professional fees of HK\$1,566,000 which is directly attributable to the Undertakings and Rights Issue.
3. The adjustment represents estimated legal and professional fees of HK\$1,140,000 directly attributable to the S&P Agreement, of which HK\$370,000 is incurred by Easyknit Enterprises and therefore allocated to equity attributable to Easyknit International and non-controlling shareholders at an amount of HK\$152,000 and HK\$218,000 respectively.
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The following is an illustrative and unaudited pro forma consolidated statement of cash flows 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 Very Substantial Disposal and the Undertakings as if Very Substantial Disposal and Undertakings taken place on 1 April 2013. Pursuant to the S&P Agreement, the completion of disposal of the Target Group is conditional, among other things, Easyknit Enterprises having received the sums payable to it in the Rights Issue that is the subject of the Underwriting Agreement; and the approval of the S&P Agreement by the Easyknit Enterprises' shareholders.

This unaudited pro forma consolidated statement of cash flows 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 cash flows of the Group for the year ended 31 March 2014 or for any future periods had the Very Substantial Disposal and Undertaking been completed at 1 April 2013.

	The Group for the year ended at 31 March 2014	Pro forma adjustments		Pro forma total for the year ended 31 March 2014
	<i>HK\$'000</i> (Audited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> (Unaudited)
Cash flow from operating activities				
Profit for the year	17,135	(1,566)	(1,140)	14,429
Adjusted for:				
Income tax recognised in profit or loss	6,701			6,701
Interest income	(3,117)			(3,117)
Interest expense	14,358			14,358
Depreciation of property, plant and equipment	1,557			1,557
Amortisation of premium and other expenses charged on a life insurance policy	277			277
Dividend income from listed investments	(9,710)			(9,710)
Gain on changes in fair value of investment properties	(40,714)			(40,714)
Gain on disposal of available-for-sale investments	(2,346)			(2,346)
Unrealised loss on fair value changes of investments held for trading	3,359			3,359
Share of results of associates	(295,145)			(295,145)
Loss on deemed disposal of subsidiaries	348,604			348,604
Loss on deemed disposal of associates	333,884			333,884
Gain from a bargain purchase	(308,202)			(308,202)

	The Group for the year ended at 31 March 2014	Pro forma adjustments		Pro forma total for the year ended 31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)			(Unaudited)
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Operating cash flows before movements in working capital	66,641	(1,566)	(1,140)	63,935
Increase in properties held for development for sale	(808,881)			(808,881)
Decrease in properties held for sale	47,432			47,432
Increase in investments held for trading	(11,307)			(11,307)
Increase in trade and other receivables	(4,778)			(4,778)
Decrease in bills receivable	153			153
Increase in loans receivable	(64,652)			(64,652)
Increase in trade and other payables	9,213			9,213
Increase in bills payable	1,553			1,553
Cash used in operations	(764,626)	(1,566)	(1,140)	(767,332)
Hong Kong Profits Tax paid	(18,689)			(18,689)
Overseas tax paid	(318)			(318)
Overseas tax refunded	95			95
Dividend received from investments held for trading	9,007			9,007
Net cash used in operating activities	(774,531)	(1,566)	(1,140)	(777,237)
Cash flow from investing activities				
Acquisition of subsidiaries	490,003			490,003
Interest received	2,742			2,742
Proceeds from disposal of available-for-sale investments	2,435			2,435
Dividend received from available-for-sale investments	703			703
Placement of bank deposits with original maturity of more than three months	(130,000)			(130,000)
Deemed disposal of subsidiaries	(244,691)			(244,691)
Acquisition of additional interests in associates	(53,442)			(53,442)
Acquisition of available-for-sale investments	(24,626)			(24,626)
Deposits paid for acquisition of property, plant and equipment	(1,901)			(1,901)
Acquisition of investment properties	(1,166)			(1,166)
Purchase of property, plant and equipment	(21)			(21)
Net cash from investing activities	40,036	-	-	40,036

	The Group for the year ended at 31 March 2014 <i>HK\$'000</i> (Audited) <i>Note 1</i>	Pro forma adjustments <i>HK\$'000</i>		Pro forma total for the year ended 31 March 2014 <i>HK\$'000</i> (Unaudited)
		<i>Note 2</i>	<i>Note 3</i>	
Cash flow from financing activities				
Bank borrowings raised	1,017,610			1,017,610
Proceeds received from rights issue of shares of a subsidiary	69,095	184,214		253,309
Interest paid	(32,608)			(32,608)
Dividends paid	(31,768)			(31,768)
Repayment of bank borrowings	(28,582)			(28,582)
Net cash from financing activities	<u>993,747</u>	184,214	–	<u>1,177,961</u>
Net increase in cash and cash equivalents	<u>259,252</u>	182,648	(1,140)	<u>440,760</u>
Cash and cash equivalents at beginning of the year	340,869			340,869
Effect of foreign exchange rate changes	<u>1,018</u>			<u>1,018</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>601,139</u></u>	182,648	(1,140)	<u><u>782,647</u></u>

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Group as at 31 March 2014, as set out in the published annual report of the Company for the year ended 31 March 2014.
2. The adjustments represent:
 - payment of estimated legal and professional fees of HK\$1,566,000 directly attributable to the Undertakings and Rights Issue; and
 - estimated proceeds from the Rights Issue received from non-controlling shareholders of HK\$182,648,000, net of direct transaction costs of HK\$1,826,000.
3. The adjustment represents the payment of legal and professional fees of HK\$1,140,000 directly attributable to the S&P Agreement.
4. No adjustment has been made to reflect any cash flows or other transactions of the Group entered into subsequent to 31 March 2014.

**(D) 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 consolidated statement of financial position as at 31 March 2014, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014, the pro forma consolidated statement of cash flows for the year ended 31 March 2014 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated 26 September 2014 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-8 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial disposal of Kingbest Capital Holdings Limited and its subsidiary (the “**Very Substantial Disposal**”) and the major transaction in relation to the subscription of rights shares pursuant to the undertakings in full acceptance of provisional entitlement under the rights issue of Easyknit Enterprises Holdings Limited (the “**Undertakings**”) on the Group’s financial position as at 31 March 2014 and the Group’s financial performance and cash flows for the year ended 31 March 2014 as if the Very Substantial Disposal and Undertakings had taken place at 31 March 2014 and 1 April 2013 respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2014, 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 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 Very Substantial Disposal and Undertakings at 31 March 2014 or 1 April 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
26 September 2014

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Vigers Appraisal And Consulting Limited, an independent valuer, in connection with their valuation of the Site as at 31 August 2014.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



26 September 2014

The Directors
Easyknit International Holdings Limited, and
Easyknit Enterprises Holdings Limited
Block A, 7/F.,
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

**RE: NOS. 14 AND 16 INVERNESS ROAD, KOWLOON TONG, KOWLOON (THE
“SITE”)**

In accordance with the instructions by Easyknit International Holdings Limited (“**Easyknit International**”) and Easyknit Enterprises Holdings Limited (“**Easyknit Enterprises**”) (collectively, the “**Companies**”) for us to value the Site, we confirm that we have inspected the Site, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Site as at 31 August 2014 (“**the Valuation Date**”).

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

Our valuations have been prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

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

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

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

The Site was inspected on 29 August 2014 by Gilbert K. M. Yuen *MHKIS MRICS RPS(GP)* of Vigers Appraisal And Consulting Limited. However, no investigations have been carried out to determine the suitability of the subsoil condition of the site for the redevelopment and we assumed that these aspects are satisfactory. Our valuation does not make allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage. No test has been made to any of the services.

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

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

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Gilbert K. M. Yuen
MHKIS MRICS RPS(GP)
Executive Director

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

VALUATION CERTIFICATE

Property held by Easyknit International for future development in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital value in Existing state as at 31 August 2014
Nos. 14 and 16 Inverness Road; Kowloon Tong, Kowloon	The property comprises two contiguous lots with a total registered site area of 8,441.5 sq.ft. (784.24 sq.m.).	According to the information provided by the Companies, as at 31 August 2014, the property is vacant.	HK\$340,000,000
The Remaining Portion of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587 and Section C of Sub-section 1 of Section B of New Kowloon Inland Lot No. 1587	<p>The property would be a bare site after the demolition of the two connected domestic tenements currently erected on the lots.</p> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance.</p> <p>The government rent is equivalent to 3% of the rateable value for the time being of the lot.</p>	Demolition works of the existing buildings are underway which was expected to be completed in October 2014.	

Notes:

- The registered owner of the property is Total Expect Limited, which is a wholly-owned subsidiary of Easyknit International.
- The Government Lease of New Kowloon Inland Lot No. 1587 contains inter alia the following restrictions on the development of the lot:

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

- The Site is zoned “Residential (Group C) 9” on the Kowloon Tong Outline Zoning Plan No. S/K18/18 dated 20 December 2013.

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

- No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
- There are no conditions stipulated in the Government Lease of the Site as to the construction of roadways, pathway, drainage, sewage and other facilities or services for public uses.
- In assessing the market value of the Site, we have taken into consideration of the existing Government Lease conditions. No. account has been taken into the possible modification of Government Lease to allow for the higher plot ratio and the necessity payment of land premium.
- The property is not subject to any material encumbrances, liens, pledges, mortgage.

Only that the building of No. 14 Inverness Road is subject to a Deed of Mutual Covenants whilst the building of No. 16 is subject to a Deed of Covenant. In additions, the Ground Floor unit and the Basement unit of No. 16 Inverness Road are subject to Sub-deed of Mutual Covenant, whilst Ground Floor and Basement unit of No. 14 Inverness Road is subject to a Notice No. WC/TE02170/08/K-R13 by the Building Authority under Section 24C(1) of the Building Ordinance. In our opinion these encumbrances would not be effective when the buildings have been demolished and become non-existence.

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 Shares held (long position)	Aggregate number of 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 The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as the new trustee of The Magical 2000 Trust since 3 June 2014 (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, 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*

Name of director	Capacity	Number of ordinary shares held (long position)	Number of underlying shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (Note iv)	230,451,381	31,152,647	261,604,028	46.49%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (Note v)	230,451,381	31,152,647	261,604,028	46.49%

Notes:

- (iv) In the 230,451,381 shares of Easyknit Enterprises, 47,140,104 shares of Easyknit Enterprises and 183,311,277 shares of Easyknit Enterprises are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of the Company. Goodco is also interested in 31,152,647 underlying shares of Easyknit Enterprises (subject to adjustment) to be issued upon the full conversion of the convertible note. 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 Winterbotham Trust as the new trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse) since 3 June 2014.
- (v) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, is deemed to be interested in the shares of Easyknit Enterprises by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

Wellmake Investments Limited (“Wellmake”) (note vi)

Name of director	Capacity	Number of non-voting deferred shares held	Percentage to issued non-voting deferred shares of Wellmake
Ms. Lui Yuk Chu	Beneficial owner (note vii)	1	100%
	Interest of spouse (note vii)	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 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 owner	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%
Winterbotham Trust	<i>i & iii</i>	Trustee	29,179,480	36.74%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Markson International Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	36.74%
Ivan Geoffrey Douglas Hooper	<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 Winterbotham Trust as new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and her family members other than her spouse) since 3 June 2014. Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a 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 a Director, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iii) Since 3 June 2014, Winterbotham Trust became the new trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“**Winterbotham Holdings**”) and 25% by Markson International Holdings Limited (“**Markson**”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company 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. 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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contracts 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).

5. 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.

6. 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 2014 (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.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on as intended to be carried on by 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 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 of Easyknit Enterprises at the subscription price of HK\$0.40 per rights share;

- (b) 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;
- (c) 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 of Easyknit Enterprises at the subscription price of HK\$0.10 per rights share;
- (d) the placing agreement dated 11 September 2013 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of Easyknit Enterprises at a placing price of HK\$0.063 per share;
- (e) the underwriting agreement dated 3 October 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 a rights issue of 247,163,250 rights shares of Easyknit Enterprises at the subscription price of HK\$0.60 per rights share;
- (f) the subscription agreement dated 16 January 2014 entered into between Easyknit Enterprises and Goodco, the substantial shareholder of Easyknit Enterprises and a wholly-owned subsidiary of the Company, as the subscriber, agreed to subscribe a convertible note issued by Easyknit Enterprises in the aggregate principal amount of HK\$100,000,000 which may be converted into 147,058,823 shares of Easyknit Enterprises at the initial conversion price of HK\$0.68 per share (subject to adjustment);
- (g) the placing agreement dated 6 June 2014 entered into between Easyknit Enterprises and Kingston Securities Limited, as the placing agent, to place 65,200,000 new shares of Easyknit Enterprises at a placing price of HK\$0.35 per share;
- (h) the development agreement dated 16 June 2014 entered into between Wise Think Global Limited and Hansford International Investment Limited, a wholly-owned subsidiary of the Company to redevelop the Kowloon Inland Lot No. 2320;
- (i) the placing agreement dated 11 August 2014 entered into between Easyknit Enterprises and Get Nice Securities Limited, as the placing agent, to place 78,000,000 new shares of Easyknit Enterprises at a placing price of HK\$0.30 per share;
- (j) the S&P Agreement;
- (k) the Underwriting Agreement; and
- (l) the supplemental agreement to the S&P Agreement entered into on 15 September 2014 between the Company and the Purchaser.

8. EXPERTS AND CONSENTS

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

Name	Qualification
Vigers Appraisal And Consulting Limited	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2014 (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 experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the references to their name in the form and context in which they appear.

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and by-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 2012, 2013, and 2014;
- (c) the annual reports of Easyknit Enterprises containing audited consolidated financial statements of Easyknit Enterprises for the three years ended 31 March 2012, 2013, and 2014;
- (d) the audited financial information of the Kingbest Group for the three years ended 31 March 2012, 2013 and 2014;
- (e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group upon completion of the Disposal, the Subscription and the Rights Issue as set out in Appendix III to this circular;
- (f) the valuation report prepared by Vigers Appraisal And Consulting Limited, the text of which is set out in Appendix IV to this circular;
- (g) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;
- (h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (i) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts;
- (j) the S&P Agreement and the supplemental agreement; and
- (k) this circular.

NOTICE OF SPECIAL GENERAL MEETING



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Easyknit International Holdings Limited 永義國際集團有限公司 (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Monday, 20 October 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendment:

ORDINARY RESOLUTIONS

1. “**THAT** the conditional sale and purchase agreement dated 5 September 2014 and a supplemental agreement dated 15 September 2014 (copies of which are produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into by Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, as the vendor and the Easyknit Enterprises Holdings Limited (“**Easyknit Enterprises**”) as the purchaser in relation to the sale and purchase of the entire issued share capital and the sale loan of Kingbest Capital Holdings Limited and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”
2. “**THAT** the undertakings given by each of Landmark Profits Limited and Goodco Development Limited, both are wholly-owned subsidiaries of the Company, to Easyknit Enterprises and the underwriter in relation to the full acceptance of provisional entitlement under the rights issue of Easyknit Enterprises and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By Order of the Board
EASYKNIT INTERNATIONAL HOLDINGS LIMITED

Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 26 September 2014

* *for identification only*

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:

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

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney of other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the Board comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors; Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.