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

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

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED****永義國際集團有限公司****(incorporated in Bermuda with limited liability)***(Stock Code: 1218)****MAJOR TRANSACTION****DEEMED DISPOSAL OF INTERESTS IN
EASYKNIT ENTERPRISES HOLDINGS LIMITED**

19 June 2015

* *for identification purposes only*

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DEFINITIONS

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

“2014 Convertible Note”	the 2% per annum coupon rate convertible note issued by Easyknit Enterprises on 27 March 2014 in the aggregate principal amount of HK\$100,000,000 conferring rights to convert EE Shares on the basis of a prevailing conversion price of HK\$10.65 per EE Share (subject to adjustment), of which HK\$80,000,000 has already been converted
“Announcement”	the joint announcement dated 29 May 2015 issued by the Company and Easyknit Enterprises
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“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 issue and subscription of the Convertible Note which has been taken place on 12 June 2015
“Conversion Period”	the period during which the Noteholder may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the paragraph headed “Principal terms of the Convertible Note” in the “Letter from the Board” of this circular
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Note, which is initially fixed at HK\$0.85 per Conversion Share and subject to adjustments (if any)
“Conversion Rights”	the conversion rights attached to the Convertible Note
“Conversion Share(s)”	the EE Share(s) to be allotted and issued by Easyknit Enterprises upon exercise of the Conversion Rights

DEFINITIONS

“Convertible Note”	the convertible note in the principal amount of HK\$86,000,000 issued by Easyknit Enterprises to the Subscriber pursuant to the Subscription Agreement
“Deemed Disposal”	the dilution of the Company’s interest in the capital of Easyknit Enterprises approximately from 40.96% to 34.41% upon completion of the Subscription
“Directors”	the directors of the Company
“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
“EE Board”	the board of EE Directors
“EE Directors”	the directors of Easyknit Enterprises
“EE Group”	Easyknit Enterprises and its subsidiaries
“EE Shareholders”	holders of EE Shares
“EE Shares”	ordinary share at HK\$0.01 each in the share capital of Easyknit Enterprises
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial shareholder of Easyknit Enterprises (as defined in the Listing Rules)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties which are not connected persons of Easyknit Enterprises and are independent of Easyknit Enterprises and its connected person
“Issue Date”	the date of issue of the Convertible Note, i.e. 12 June 2015

DEFINITIONS

“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit International, being a substantial shareholder of Easyknit Enterprises (as defined in the Listing Rules)
“Latest Practicable Date”	18 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“major transaction”	the meaning ascribed thereto in the Listing Rules
“Maturity Date”	2 years after the first issue of the Convertible Note
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“Shareholders”	holders of the shares of the Company
“Shares”	ordinary share at HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Madian Star Limited, an investment holding company incorporated in the British Virgins Islands with limited liability
“Subscription”	conditional subscription of the Convertible Note by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 29 May 2015 entered into between Easyknit Enterprises and the Subscriber in relation to the Subscription and issue of the Convertible Note
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	percentage
“HK\$”	Hong Kong dollars

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Non-executive Director:

Mr. Tse Wing Chiu Ricky
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

19 June 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

DEEMED DISPOSAL OF INTERESTS IN EASYKNIT ENTERPRISES HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Announcement. On 29 May 2015, Easyknit Enterprises and the Subscriber entered into the Subscription Agreement in respect of the issue of and subscription for the Convertible Note in an aggregate principal amount of HK\$86,000,000.

Upon the full exercise of the conversion rights attached to the Convertible Note, there will have the effect of diluting all existing EE Shareholders' percentage shareholdings in Easyknit Enterprises. So far as Easyknit International is concerned, its percentage share of the issued share capital of Easyknit Enterprises will be diluted approximately from 40.96%

* for identification purposes only

LETTER FROM THE BOARD

to approximately 34.41%. Pursuant to Rule 14.31 of the Listing Rules, the Deemed Disposal constitutes a major transaction to Easyknit International, Easyknit Enterprises is no longer a subsidiary of Easyknit International and its financial position and results will not be consolidated into those of Easyknit International. Easyknit Enterprises is accounted for an associate of Easyknit International.

To the best of the Directors' knowledge, none of the Shareholders is interested in the Deemed Disposal, and accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Deemed Disposal if the Company was to convene a general meeting for approving the Deemed Disposal.

The purpose of this circular is to provide you with, among other things, (a) details of the Deemed Disposal and (b) the financial information of the Group.

THE SUBSCRIPTION AGREEMENT

Date

29 May 2015

Parties

- (a) Easyknit Enterprises as issuer;
- (b) Madian Star Limited, as subscriber.

The Subscriber is an investment holding company established in the British Virgin Islands with limited liability, and as at the date of the Announcement, the Subscriber held 17,010,000 EE Shares, representing approximately 3.20% of the total issued shares of Easyknit Enterprises. To the best of the EE Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third party independent of the EE Group and its connected persons.

Subject matter

Pursuant to the Subscription Agreement, Easyknit Enterprises has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Note.

Conditions Precedent

The Completion is subject to the satisfaction of the following conditions, among others,

- (a) there shall have been delivered to the Subscriber copies of the necessary resolution(s) passed by the board of directors of Easyknit Enterprises approving the Subscription Agreement, the transactions contemplated hereunder, including the creation and the issue of the Convertible Note, and the issuance of the EE Shares upon conversion of the Convertible Note, each in accordance with the bye-laws of Easyknit Enterprises and the requirements of the Listing Rules;

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- (b) the granting of the approval by the Stock Exchange the listing of, and the permission to deal in, the Conversion Shares and such approval not having been revoked;
- (c) (if required) the Bermuda Monetary Authority granting its consent to the issue of the Convertible Note and the issue and allotment and transferability of the Conversion Shares;
- (d) the warranties of Easyknit Enterprises remaining true and accurate in all material respects and not misleading in any material respect as of the date of the Completion by reference to the facts and circumstances subsisting as at the date of the Completion; and
- (e) at the date of the Completion there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of Easyknit Enterprises and its subsidiaries as a whole (including as revealed in the audited consolidated financial statements of the EE Group for the year ended 31 March 2014), which is reasonably expected to be material and adverse.

Easyknit Enterprises undertakes to the Subscriber to use its best endeavours to procure that the conditions precedent above are fulfilled by not later than 12 June 2015 (or such other date as Easyknit Enterprises and the Subscriber may agree in writing) (the “Long Stop Date”), except that the conditions precedent (d) and (e) shall be fulfilled simultaneously upon Completion. The Subscriber may at any time waive in writing the conditions precedent (d) and (e).

If the above conditions precedent have not been fulfilled (or waived by the Subscriber in whole or in part) on or before 12 June 2015 (or such other date as may be agreed between Easyknit Enterprises and the Subscriber in writing), except that the conditions precedent (d) and (e) shall be fulfilled simultaneously upon Completion, this Subscription Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof.

Completion

The Completion has been taken place on 12 June 2015.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarized below:

Principal amount:	HK\$86,000,000
Denomination:	HK\$1,000,000 each
Issue price:	100% of the principal amount
Interest:	2% per annum payable on the maturity date
Maturity Date:	the date falling on the second anniversary of the Issue Date

LETTER FROM THE BOARD

- Conversion Price: The initial Conversion Price is HK\$0.85 per Conversion Share, which is subject to adjustment provisions as summarized in the sub-paragraph headed “Conversion Price adjustments” below.
- Conversion Price adjustments: The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:
- (i) consolidation, sub-division or re-classification of the EE Shares;
 - (ii) capitalisation of profits or reserves;
 - (iii) capital distribution to holders of EE Shares;
 - (iv) offer to EE Shareholders new EE Shares for subscription by way of rights, or grant to EE Shareholders any options, warrants or other rights to subscribe for any new EE Shares at a price which is less than 80% of the market price as at the date of the announcement of the terms of the offer or grant;
 - (v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new EE Shares, and the total effective consideration per EE Share initially receivable for such securities is less than 80% of the market price as at the date of the announcement of the terms of issue of such securities;
 - (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per EE Share initially receivable for such securities will be less than 80% of the market price as at the date of the announcement of such proposal;
 - (vii) when Easyknit Enterprises issue wholly for cash any EE Shares at a price per EE Share which is less than 80% of the market price as at the date of the announcement of the terms of such issue; and
 - (viii) when Easyknit Enterprises issue EE Shares for the acquisition of assets at a total effective consideration per EE Share which is less than 80% of the market price at the date of the announcement of the terms of such issue.

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- Conversion Shares: Assuming full conversion of the Convertible Note at the initial Conversion Price, a total of 101,176,470 new EE Shares will be allotted and issued, representing (i) approximately 19.03% of the issued share capital of Easyknit Enterprises as at the date of the Announcement; and (ii) approximately 15.99% of the issued share capital of Easyknit Enterprises as enlarged by the allotment and issue of the Conversion Shares.
- Conversion Rights: The Noteholder will have the right, on any Business Day during the Conversion Period, to convert the whole or part of such principal amount of the Convertible Note set out therein into the Conversion Shares at the Conversion Price (subject to adjustments).
- No exercise of the Conversion Rights attaching to the Convertible Note shall be allowed if (i) immediately following the conversion, Easyknit Enterprises will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) such conversion is prohibited under the Takeovers Code.
- Redemption at Maturity: Unless previously redeemed, converted or purchased and cancelled, the Convertible Note are to be redeemed on maturity at 100% of the outstanding principal amount together with accrued and unpaid interest thereon on the maturity date.
- Early Redemption: At the option of Easyknit Enterprises, the Convertible Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof on any Business Day prior to the Maturity Date at 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of redemption.
- At the option of the Subscriber, the Convertible Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof at any time three months after the date of issue of the Convertible Note at 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of redemption.
- Ranking of Conversion Shares: The Conversion Shares shall rank *pari passu* in all respects with all other EE Shares in issue as at the date of conversion and be entitled to all dividends, bonus and other distributions, the record date of which falls on a date on or after the date of conversion.

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Transferability: The Convertible Note may, upon obtaining the written approval of Easyknit Enterprises, be assigned and transferred (whether in whole or in part(s)) provided that no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the Listing Rules) of Easyknit Enterprises without the prior approval of Easyknit Enterprises and provided further that the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 unless the amount of the outstanding Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

Status: The obligations of Easyknit Enterprises arising under the Convertible Note constitute direct, unconditional, unsecured and unsubordinated obligations of Easyknit Enterprises and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of Easyknit Enterprises.

No application will be made for a listing of the Convertible Note on the Stock Exchange or any stock or securities exchange.

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

In light of the possible adjustment of the Conversion Price, if the total number of the Conversion Shares exceeds the restriction cap of the general mandate of Easyknit Enterprises (i.e. 101,279,806 EE Shares), Easyknit Enterprises will settle the amount of Conversion Shares exceeding the limit of general mandate by cash and the Subscriber has no objection in such arrangement.

THE CONVERSION PRICE AND EXERCISE PRICE

The Conversion Price of HK\$0.85 per Conversion Share represents:

- (i) a premium of approximately 7.59% to the closing price of HK\$0.79 per EE Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 5.99% to the average of the closing prices of HK\$0.802 per EE Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Subscription Agreement; and

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- (iii) a premium of approximately 10.53% to the average of the closing prices of HK\$0.769 per EE Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Subscription Agreement.

The Conversion Price was determined with reference to, among others, the prevailing market price of the EE Shares and was negotiated on an arm's length basis between Easyknit Enterprises and the Subscriber.

REASONS FOR THE ISSUE OF CONVERTIBLE NOTE AND THE USE OF PROCEEDS

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

The EE Directors consider the issue of the Convertible Note under the Subscription offers a good opportunity for Easyknit Enterprises to broaden the EE Group's investor base and serves an appropriate means of raising capital for the EE Group since it will not have an immediate dilution effect on the shareholding of the existing EE Shareholders.

As a long run, the Subscription is beneficial to the Company because less professional and administrative fees will be incurred when Easyknit Enterprises becomes an associate of the Company. In addition, the Subscription only reduces the Company's interest in Easyknit Enterprises for approximately 6.6% to 34.41% which still continues having substantial interests in Easyknit Enterprises. The Board has a view that, in the absence of the unforeseen circumstances, the Company intends to maintain Easyknit Enterprises as an associate status.

Assuming the entire principal amount of the Convertible Note will be issued under the Subscription, the aggregate gross proceeds and net proceeds to Easyknit Enterprises from the issue of the Convertible Note will be HK\$86,000,000 and approximately HK\$85,900,000 respectively. Easyknit Enterprises intends to apply the net proceeds from the Subscription for general working capital of the EE Group.

The EE Directors consider that the terms of the Subscription Agreement and the issue of the Convertible Note pursuant to the terms thereof are fair and reasonable and in the interests of Easyknit Enterprises and its EE Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

Under the scenarios of (a) the conversion rights attaching to the outstanding 2014 Convertible Note are not exercised; and (b) full exercise of the outstanding 2014 Convertible Note, set out below is the shareholding structure of Easyknit Enterprises (i) as at the date of the Announcement; and (ii) as at the Latest Practicable Date and assuming immediately upon the issue of the Conversion Shares as a result of the full conversion of the Convertible Note at the initial Conversion Price:

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Scenario 1: no exercise of the outstanding 2014 Convertible Note

	As at the date of the Announcement <i>(Note 1)</i>		As at the Latest Practicable Date and assuming immediately upon the issue of Conversion Shares as a result of the full conversion of the Convertible Note at the Initial Conversion Price <i>(Note 1)</i>	
	<i>Number of</i>	<i>Approximate %</i>	<i>Number of</i>	<i>Approximate %</i>
	<i>EE Shares</i>		<i>EE Shares</i>	
Substantial EE Shareholders				
<i>Landmark Profits</i>				
<i>Goodco</i>	44,547,384	8.38	44,547,384	7.04
– Shares of Easyknit Enterprises	173,229,147	32.58	173,229,147	27.37
– Underlying shares of Easyknit Enterprises of the outstanding 2014 Convertible Note <i>(Notes 2 and 3)</i>	1,877,934	0.00	1,877,934	0.00
Sub-total	217,776,531	40.96	217,776,531	34.41
The Subscriber	17,010,000	3.20	118,186,470	18.67
Public EE Shareholders	296,932,440	55.84	296,932,440	46.92
Total	531,718,971	100.00	632,895,441	100.00

Notes:

1. The figures are derived based on the existing shareholding structure of Easyknit Enterprises and the assumption that save for the allotment and issue of 101,176,470 Conversion Shares to the Subscriber, there will be no change in the issued share capital of Easyknit Enterprises from the date of the Announcement up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights.
2. The underlying shares of Easyknit Enterprises of the outstanding 2014 Convertible Note do not represent Easyknit Enterprises's issued shares.
3. Pursuant to the terms of the 2014 Convertible Note, Goodco may convert at any time within the five-year period commencing from 27 March 2014.

LETTER FROM THE BOARD

Scenario 2: full exercise of the outstanding 2014 Convertible Note

	As at the date of the Announcement <i>(Note 1)</i>		As at the Latest Practicable Date and assuming immediately upon the issue of Conversion Shares as a result of the full conversion of the Convertible Note at the Initial Conversion Price <i>(Note 1)</i>	
	<i>Number of EE Shares</i>	<i>Approximate %</i>	<i>Number of EE Shares</i>	<i>Approximate %</i>
Substantial EE Shareholders				
<i>Landmark Profits</i>				
<i>Goodco</i>	44,547,384	8.35	44,547,384	7.02
– Shares of Easyknit Enterprises	175,107,081	32.81	175,107,081	27.58
– Underlying shares of Easyknit Enterprises of the outstanding 2014 Convertible Note <i>(Notes 2 and 3)</i>	–	0.00	–	0.00
Sub-total	219,654,465	41.16	219,654,465	34.60
The Subscriber	17,010,000	3.19	118,186,470	18.62
Public EE Shareholders	296,932,440	55.65	296,932,440	46.78
Total	<u>533,596,905</u>	<u>100.00</u>	<u>634,773,375</u>	<u>100.00</u>

Notes:

- The figures are derived based on the existing shareholding structure of Easyknit Enterprises and the assumption that save for (i) the allotment and issue of 101,176,470 Conversion Shares to the Subscriber and (ii) 1,877,934 conversion shares to be issued upon the full exercise of the conversion rights attaching to the 2014 Convertible Note at the prevailing conversion price of HK\$10.65 per conversion share, there will be no change in the issued share capital of Easyknit Enterprises from the date of the Announcement up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights.
- The underlying shares of Easyknit Enterprises of the outstanding 2014 Convertible Note do not represent Easyknit Enterprises's issued shares.
- Pursuant to the terms of the 2014 Convertible Note, Goodco may convert at any time within the five-year period commencing from 27 March 2014.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF EASYKNIT ENTERPRISES

Set out below is certain financial information extracted from the annual report of Easyknit Enterprises for the years ended 31 March 2014 and 2013 and the interim report for the six months ended 30 September 2014:

	For the six months ended 30 September 2014	For the year ended 31 March	
	HK\$'000	2014	2013
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total Assets	1,376,277	1,389,502	1,003,979
Revenue	128,455	156,940	223,756
Loss before taxation	(75,185)	(2,752)	(1,138)
Profit/(Loss) after taxation	(76,084)	(2,541)	4,695

FINANCIAL EFFECT OF THE DEEMED DISPOSAL ON THE GROUP

As at the date of the Announcement, Easyknit International had shareholding of approximately 40.96% in Easyknit Enterprises which was a subsidiary of Easyknit International.

Upon the Completion of issuing the Convertible Note, the Company's interest in Easyknit Enterprises is diluted approximately from 40.96% to 34.41%. The Board confirmed that since the Company's interest in Easyknit Enterprises is less than 40% upon Completion, Easyknit Enterprises is no longer a subsidiary of the Company and its financial position and results will not be consolidated into those of Easyknit International. Easyknit Enterprises is accounted for an associate of Easyknit International. The Directors confirmed that, as at the Latest Practicable Date, the Company has no intention to sell the remaining interest of Easyknit Enterprises.

An unaudited net loss of approximately HK\$127 million, with calculation based on the consolidated management accounts at 30 April 2015 of Easyknit Enterprises and subject to further update, would be recognised in the consolidated income statement of the Company, and of approximately HK\$127 million decrease in the net assets of the Group immediately after the Completion due to the net loss from Deemed Disposal.

The exact financial effects of the Deemed Disposal are subject to the review by the Company's auditors.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal are more than 25% but less than 75%, the Deemed Disposal constitutes a major transaction to Easyknit International and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

The Directors, including the independent non-executive Directors, are of the view that the Deed Disposal is fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Deemed Disposal if a physical general meeting were to be convened.

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

Sea Rejoice Limited, which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of Easyknit International, is wholly-owned by Ms. Lui Yuk Chu, the vice president and an executive director of Easyknit International and Easyknit Enterprises. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued shares of Easyknit International is wholly-owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of Easyknit International and Easyknit Enterprises) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

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

ADDITIONAL INFORMATION

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

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

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the year ended 31 March 2012, 2013 and 2014 respectively. The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2014 is disclosed in 2014 interim report of the Company. They can be accessed on the website of the Company (www.easyknit.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

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

3. INDEBTEDNESS

At the close of business on 31 May 2015, 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\$1,428.9 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\$1,427.2 million and interests payable of approximately HK\$1.7 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 May 2015 any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon the completion of the issuance of the Convertible Note, Easyknit Enterprises is an associate of the Company and its financial position and results will not be consolidated into those of the Company for the year 2015/16 onwards.

Last year, the economic growth in Hong Kong was moderate with steady gross domestic product and export rate, low unemployment and inflation rate. At the same time, the retail sales growth dropped significantly as the local consumption demand and tourist spending weakened. But under the support of the favorable policies launched by the central government such as the Shanghai-Hong Kong Stock Connect and the proposed Shenzhen-Hong Kong Stock Connect, it is expected that Hong Kong economy will remain stable.

Following the release of depressed demand from end users, the local property market has been performing well since second quarter of 2014. Meanwhile, persistent property cooling measures continuously affects the local property market. In order to curb to home prices, tightening measures on the mortgage requirements has been launched in February 2015, which is expected to have short term impacts on the the small-to-medium end of secondary residential property market. But due to the solid end user demand for small-to-medium-sized units and continuing formation of new households, the Group is still optimistic about the local property market.

The Group is dedicated to deliver excellence quality with high quality developments. PAXTON, the key project for 2014/15, realizes our core value which has been well recognized by customers. PAXTON achieved satisfactory sales since its initial launch in July 2014. The Group is confident in the sales of this project in 2015/16.

The foundation works at No. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong is now underway. Such project is expected to be launched in the year 2017.

The influx of capital from China after the Easter Holiday in April 2015 following implementation of the Shanghai-Hong Kong Stock Connect has boosted investment activities in the Hong Kong stock market.

The Group are committed to deliver on the strategy of focusing on core businesses to generate sustainable returns and maximize shareholders wealth.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 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., for HK\$236,800,000.
- (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.
- (c) As disclosed in the joint announcement of Easyknit Enterprises and the Company dated 5 September 2014, the Company, through its direct wholly-owned subsidiary, disposed of the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong to Easyknit Enterprises for a total consideration of HK\$340 million.

- (d) As disclosed in the joint announcement of the Company and Easyknit Enterprises dated 30 October 2014, Easyknit Enterprises, through its direct wholly-owned subsidiary, acquired all properties situated at basement, ground floor, 1st floor and 2nd floor of No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong with a total saleable area of approximately 9,196 square feet, at an aggregate consideration and other related expenses of HK\$169,500,000.
- (e) As disclosed in the joint announcement of the Company and Easyknit Enterprises dated 18 March 2015, Easyknit Enterprises, through its indirect wholly-owned subsidiary, acquired all properties situated at 1st Floor, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor & roof of 11 and 13 Matheson Street, Causeway Bay, Hong Kong with a total saleable area (excluding the roof area) of approximately 4,480 square feet, at an aggregate consideration and other related expenses of HK\$183,000,000.
- (f) As disclosed in the joint announcement of the Company and Easyknit Enterprises dated 26 May 2015, Easyknit Enterprises, through its direct wholly-owned subsidiary, entered into a facility letter as lender with an independent third party to lend upto HK\$70,000,000 for a period of twelve months. The borrower shall pay interest to the lender on the loan at the rate of 8% per annum. The loan is secured by share charges and personal guarantee.
- (g) As disclosed in the Company's announcement dated 10 June 2015, the Company, through its direct wholly-owned subsidiary, entered into a loan agreement as lender with an independent third party to lend HK\$185,000,000 for a period of twelve months. The borrower shall pay interest to the lender on the loan at the rate of 17% per annum. The loan is secured by share charges and personal guarantees.

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 since the date of the latest published audited financial statements for the year ended 31 March 2014.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

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

(i) Interests in the Company

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

Notes:

- (i) 29,179,480 Shares are registered in the name of and are beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited ("Winterbotham Trust") as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

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

(ii) Interests in the associated corporation

Easyknit Enterprises

Number of director	Capacity	Number of ordinary shares held (long position)	Number of underlying shares held	Total	Approximate percentage of interests
Ms. Lui Yuk Chu	Beneficiary of a trust <i>(Note iv)</i>	217,776,531	1,877,934	219,654,465	41.31%
Ms. Koon Ho Yan Candy	Beneficiary of a trust <i>(Note v)</i>	217,776,531	1,877,934	219,654,465	41.31%

Notes:

- (iv) In the 217,776,531 shares of Easyknit Enterprises, 44,547,384 shares of Easyknit Enterprises and 173,229,147 shares of Easyknit Enterprises are registered in the name of and are beneficially owned by Landmark Profits and Goodco respectively, both companies are wholly-owned subsidiaries of the Company. Goodco is also interested in 1,877,934 underlying shares of Easyknit Enterprises (subject to adjustment) to be issued upon the full conversion of the 2014 Convertible Note. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of the Company and is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of the Company and is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (v) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive 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.

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 are beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, an executive Director, and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the 29,179,480 Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 46,609,144 Shares by virtue of the SFO.
- (ii) Ms. Lui Yuk Chu, being an executive Director, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iii) 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 were not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries 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 contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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 of the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the placing agreement dated 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;
- (b) 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;
- (c) 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);
- (d) 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;
- (e) 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;
- (f) 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;
- (g) the underwriting agreement dated 5 September 2014 entered into between Easyknit Enterprises and Get Nice Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 450,132,472 rights shares of Easyknit Enterprises at the subscription price of HK\$0.70 per right share;
- (h) the underwriting agreement dated 2 February 2015 entered into between Easyknit Enterprises and Get Nice Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 506,399,020 rights shares at the subscription price of HK\$0.65 per rights share;

- (i) the facility letter dated 26 May 2015 entered into between Cherry Sky Investments Limited, a wholly-owned subsidiary of Easyknit Enterprises, as a lender, and an independent third party, as a borrower, pursuant to which, the lender has conditionally agreed to lend an interest bearing loan upto HK\$70,000,000 to the borrower for a period of 12 months from the drawdown date;
- (j) the Subscription Agreement; and
- (k) the loan agreement dated 10 June 2015 entered into between the Group as lender with an independent third party to lend HK\$185,000,000 for a period of twelve months. The borrower shall pay interest to the lender on the loan at the rate of 17% per annum. The loan is secured by share charges and personal guarantees.

8. 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2012, 2013 and 2014;
- (c) the 2014 interim report of the Company for the six months ended 30 September 2014;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (e) 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; and
- (f) this circular.