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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****GRANT OF A LOAN TO
CHINA SUNSHINE INVESTMENT LIMITED**

17 July 2015

* *for identification purposes only*

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DEFINITIONS

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

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|--|--|
| “Board” | the board of Directors of the Company |
| “Borrower” | China Sunshine Investment Limited (中華陽光投資有限公司), a company incorporated in Hong Kong with limited liability, which is beneficially and solely owned by Mr. Lin Ouwen |
| “Bright Elite” | Bright Elite Management Limited, a company incorporated in the BVI and wholly-owned by Mr. Lin Qingping and is interested in 280,352,000 Wuyi Shares |
| “Bright Elite Share Charge” | the share charge was executed by Mr. Lin Qingping in favour of the Lender by way of a fixed charge over the entire issued share capital of Bright Elite, as security for due performance of the Borrower under the Loan Agreement |
| “BVI” | the British Virgin Islands |
| “Charged Wuyi Shares” | the Charged Wuyi Shares (Bright Elite), the Charged Wuyi Shares (Orient Day) and the Charged Wuyi Shares (Thousand Space), being a total of 864,505,900 Wuyi Shares, representing approximately 50.56% of the issued share capital of Wuyi |
| “Charged Wuyi Shares (Bright Elite)” | 280,352,000 Wuyi Shares beneficially owned by Mr. Lin Qingping through his interest in Bright Elite, representing approximately 16.40% of the issued share capital of Wuyi |
| “Charged Wuyi Shares (Orient Day)” | 136,951,000 Wuyi Shares beneficially owned by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei through their respective interests in Orient Day, representing approximately 8.01% of the issued share capital of Wuyi |
| “Charged Wuyi Shares (Thousand Space)” | 447,202,900 Wuyi Shares beneficially owned by Lin Quwen through his interest in Thousand Space, representing approximately 26.16% of the issued share capital of Wuyi |
| “Company” | 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 |

DEFINITIONS

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|--------------------------------|--|
| “Directors” | the directors of the Company |
| “Drawdown Date” | the date on which the Loan is drawn down |
| “Easyknit Enterprises” | Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “Guarantee” | the deed of guarantee to be executed by each of the Guarantors in favour of the Lender guaranteeing the obligations of the Borrower under the Loan Agreement |
| “Guarantors” | Mr. Lin Ouwen, Mr. Lin Qingping, Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei, who are the ultimate beneficial owners of the Charged Wuyi Shares and are Independent Third Party, and the guarantors under the Guarantee. Mr. Lin Ouwen is sole ultimate beneficial owner of the Borrower; Mr. Lin Qingping is brother of Mr. Lin Ouwen; Mr. Liu Daohua is the brother-in-law of Mr. Lin Ouwen, Ms. Xue Mei is the wife of Mr. Lin Ouwen; and Mr. Lin Qingmei is the eldest brother of Mr. Lin Ouwen. |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | person(s) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/ are third parties independent of and not connected with the Company and its connected persons (as that term is defined in the Listing Rules) |
| “Latest Practicable Date” | 14 July 2015, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular |
| “Lender” | Charming Flash Limited, a direct wholly-owned subsidiary of the Company incorporated in the BVI with limited liability |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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|---------------------------|--|
| “Loan” | the loan in the amount of HK\$185,000,000 granted by the Lender to the Borrower subject to and upon the terms of the Loan Agreement |
| “Loan Agreement” | the loan agreement entered into between the Borrower and the Lender dated 10 June 2015 |
| “Maturity Date” | the day that is twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed by the Lender and the Borrower) |
| “Orient Day” | Orient Day Management Limited, a company incorporated in the BVI and owned as to approximately 45.45% by Mr. Liu Daohua, 31.17% by Ms. Xue Mei and 23.38% by Mr. Lin Qingmei respectively, and is interested in 136,951,000 Wuyi Shares |
| “Orient Day Share Charge” | the share charge executed by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei in favour of the Lender by way of a fixed charge over the entire issued share capital of Orient Day, as security for due performance of the Borrower under the Loan Agreement |
| “Percentage Ratio(s)” | percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Security Documents” | the Share Charges and the Guarantee |
| “Security Parties” | the Guarantors, Bright Elite, Orient Day and Thousand Space |
| “Share(s)” | ordinary share(s) of par value HK\$0.10 each in the share capital of the Company |
| “Shareholders” | holders of the Shares |
| “Share Charges” | the Bright Elite Share Charge, the Orient Day Share Charge, the Thousand Space Share Charge and the Wuyi Share Charges |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

| | |
|--------------------------------------|--|
| “Thousand Space” | Thousand Space Holdings Limited, a company incorporated in the BVI and wholly-owned by Mr. Lin Ouwen and is interested in 447,202,900 Wuyi Shares |
| “Thousand Space Share Charge” | the share charge was executed by Mr. Lin Ouwen in favour of the Lender by way of a fixed charge over the entire issued shares in the share capital of Thousand Space, as security for due performance of the Borrower under the Loan Agreement |
| “Wuyi” | Wuyi International Pharmaceutical Co., Ltd., a company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (stock code: 1889) |
| “Wuyi Share Charge (Bright Elite)” | the share charge was executed by Bright Elite in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Bright Elite), as security for due performance of the Borrower under the Loan Agreement |
| “Wuyi Share Charge (Orient Day)” | the share charge was executed by Orient Day in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Orient Day), as security for due performance of the Borrower under the Loan Agreement |
| “Wuyi Share Charge (Thousand Space)” | the share charge was executed by Thousand Space in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Thousand Space), as security for due performance of the Borrower under the Loan Agreement |
| “Wuyi Share Charges” | the Wuyi Share Charge (Bright Elite), the Wuyi Share Charge (Orient Day) and the Wuyi Share Charge (Thousand Space) |
| “Wuyi Shares” | ordinary shares of HK\$0.01 each in the share capital of Wuyi |
| “%” | per cent |

LETTER FROM THE BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Tse Wing Chiu Ricky
Mr. Lai Law Kau

*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

Independent Non-executive Directors:

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

17 July 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

GRANT OF A LOAN TO CHINA SUNSHINE INVESTMENT LIMITED

INTRODUCTION

The Board is pleased to announce that on 10 June 2015 the Loan Agreement was entered into between a direct wholly-owned subsidiary of the Company as lender with the Borrower, pursuant to which the Lender has conditionally agree to lend HK\$185,000,000 to the Borrower for period of 12 months from the Drawdown Date. The Borrower shall pay interest to the Lender on the Loan at the rate of 17% per annum. The Loan will be secured by the Share Charges and Guarantee.

* for identification purposes only

LETTER FROM THE BOARD

THE LOAN AGREEMENT

Date: 10 June 2015

Parties: (i) Charming Flash Limited, as lender; and
(ii) China Sunshine Investment Limited, as borrower.

To the best knowledge of the Directors, and having made all reasonable enquiries, the Borrower and its ultimate beneficial owner are Independent Third Parties.

Purpose of the Loan

The Loan shall be used exclusively for repayment of certain indebtedness of the Borrower and general working capital of the Borrower.

Principal terms

Amount of the Loan: HK\$185,000,000.

Interest rate: Interest shall accrue on the Loan at the rate of 17% per annum.

Interest shall be paid monthly in arrears, commencing from the Drawdown Date.

The interest rate was determined by arm-length negotiations between the parties.

Term: The Loan is repayable in one lump sum on the Maturity Date, being the day that is twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed by the Lender and the Borrower). At the request of the Borrower, the Lender may (but is not obliged to) extend the Maturity Date for further six (6) months.

Repayment: The total outstanding principal, together with any interest accrued thereon and all other amounts accrued or outstanding under the Loan Agreement and any Security Documents computed up to the date of payment, is repayable on the Maturity Date.

Security: the Share Charges and the Guarantee.

LETTER FROM THE BOARD

Conditions precedent: The making of the Loan under the Loan Agreement is conditional upon conditions precedent including the following being satisfied:

- (1) in the opinion of the Lender, there has been no material adverse effect on (a) the ability of any of the Borrower or the Security Parties to perform its obligations under any of the Security Documents to which it is or is to be a party; (b) the business, operations, assets, financial condition or prospects of the Borrower or any other Security Parties; or (c) the validity or enforceability of any Security Documents; since the date of the Loan Agreement;
- (2) the Share Charges being duly executed and delivered together with all documents required pursuant thereto; and
- (3) the Guarantee being duly executed and delivered together with all documents required pursuant thereto.

The terms of the Loan Agreement were arrived at after arm's length negotiations between the Borrower and the Lender.

THE SHARE CHARGES AND GUARANTEE

The Loan will be secured by:

- (a) the Wuyi Share Charge (Bright Elite) to be executed by Bright Elite in favour of the Lender by way of a fixed charged over the Charged Wuyi Shares (Bright Elite);
- (b) the Wuyi Share Charge (Orient Day) to be executed by Orient Day in favour of the Lender by way of a fixed charged over the Charged Wuyi Shares (Orient Day);
- (c) the Wuyi Share Charge (Thousand Space) to be executed by Thousand Space in favour of the Lender by way of a fixed charged over the Charged Wuyi Shares (Thousand Space);
- (d) the Bright Elite Share Charge to be executed by Mr. Lin Qingping in favour of the Lender by way of a fixed charged over the entire issued share capital of Bright Elite;
- (e) the Orient Day Share Charge to be executed by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei in favour of the Lender by way of a fixed charged over the entire issued share capital of Orient Day;

LETTER FROM THE BOARD

- (f) the Thousand Space Share Charge to be executed by Mr. Lin Ouwen in favour of the Lender by way of a fixed charged over the entire issued share capital of Thousand Space; and
- (g) the Guarantee executed by the Guarantors in favour of the Lender,

as continuing security for performance by the Borrower of its obligations in the Loan Agreement amongst other things.

Pursuant to the Share Charges, at any time after the occurrence of an event of default by the Borrower under the Loan Agreement, which is continuing, including but not limited to, (a) the Borrower fails to pay any sum payable under the Loan Agreement in accordance with the terms thereof; (b) the Borrower or any Security Party fails duly and punctually to perform or comply with any of its respective obligations or undertakings under the Loan Agreement or any Security Document; or (c) any representation or warranty made by the Borrower or any Security Party in or in connection with the Loan Agreement or any Security Document proves to have been incorrect or misleading in any respect, the Lender may, among other things, sell or dispose of all or any part of the Charged Wuyi Shares and shares of Bright Elite, Orient Day and Thousand Space charged under the Wuyi Share Charges, the Bright Elite Share Charge, the Orient Day Share Charge and the Thousand Space Share Charge respectively, and may apply the proceeds of any such sale in or towards the discharge of the costs thereby incurred and of the obligations secured under the Security Documents in such manner as it in its absolute discretion thinks fit.

Pursuant to the Guarantee, the Guarantors will jointly and severally guarantee and undertake as principal obligors on first demand by the Lender to pay to the Lender all sums, including but not limited the principal and interests, which are become payable by the Borrower under the Loan Agreement.

As at the Latest Practicable Date, the fair value of the Share Charges of 864,505,900 Wuyi Shares is HK\$371,737,537 based on the market closing price of HK\$0.43 per Wuyi Shares and such Wuyi Shares have not been pledged for other borrowings other than the Loan.

To the best knowledge of the Directors, and having made all reasonable enquiries, each of the Guarantors is an Independent Third Party.

REASONS FOR AND THE BENEFIT OF THE TRANSACTION

The reason for the Loan is to enable investment of cash resources of the Company not immediately required in its operations in a secured loan offering a return well in excess of returns available from bank deposits or similar investments, and the Company will benefit from the interest payable to it on the Loan.

LETTER FROM THE BOARD

The Company has assessed the creditworthiness of the Borrower by obtaining its balance sheet which did not raise any concerns to its solvency. Each of the Guarantors is an individual whose creditworthiness is difficult to judge due to the fact individuals do not prepare accounts, therefore the Company did not seek credit reports in light of their limited usefulness and the fact that the collateral is more than sufficient. The Board is of the view that even if both the Borrower and the Guarantors default, the Company still has recourse to the collateral.

The Board regards the collateral as key. The Company has analyzed 2013 and 2014 annual reports of the core collateral (ie. Wuyi), sent a representative to do onsite visit of Wuyi in the PRC, assessed the Borrower's management account, made up to 31 May 2015 and reviewed a full set of constitutional documents of the Borrower, as well as the latest annual return of the Borrower.

The Loan is for one year only and the interest rate under the Loan is 17%. Interest from bank deposits and similar investments is a small fraction of that which is receivable by the Company in respect of the Loan and the Loan is well secured.

The Board's assessment is that its risk is low given that the value of the collateral significantly exceeds the Loan and that under the documentation the Borrower is obliged to prepay the Loan in the event, amongst other things, that the aggregate interests of the Security Parties in Wuyi falls below 50.56% (all of which is charged to the Lender). The "true" value of the collateral (i.e. 50.56% interest in Wuyi) is in excess of the market value of those shares, given the premium attached to a controlling stake in a listed company. The Directors are therefore confident that the realisable value of the collateral significantly exceeds its market value (in terms of quoted share price).

Having considered (i) the above assessments; (ii) the terms of the Loan, including the interest rate; (iii) the Share Charges; and (iv) the Guarantee, the Directors consider that the Loan is on normal commercial terms and the terms of the Loan Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS ON THE GRANT OF LOAN

Interests will be derived from the Loan and therefore the grant of Loan will have positive effects on the earnings of the Group. The grant of loan is expected to have no material impact on the consolidated assets and liabilities.

INFORMATION ON THE GROUP, THE LENDER AND THE BORROWER

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

The Lender is an investment holding company incorporated under the laws of the BVI with limited liability and is a direct wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

The Borrower is a single-purpose holding company, with its sole asset being shares in Wuyi, incorporated under the laws of Hong Kong with limited liability and is wholly-owned by Mr. Lin Ouwen.

INFORMATION ON THE SECURITY PARTIES AND WUYI

Bright Elite, Orient Day and Thousand Space are investment holding companies incorporated under the laws of the BVI with limited liability and are Independent Third Parties who hold the Charged Wuyi Shares.

The Guarantors, through their respective interests in Bright Elite, Orient Day and Thousand Space, are the ultimate beneficial owners of the Charged Wuyi Shares and are Independent Third Parties.

According to publicly available information, Wuyi and its subsidiaries are principally engaged in manufacturing, marketing, and selling branded prescription and over-the-counter Western pharmaceuticals and modern Chinese medicine products. Wuyi is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (Stock Code: 1889).

The following financial information is extracted from public documents of Wuyi:

| | For the year ended 31 December | |
|-------------------------------|---------------------------------------|----------------|
| | 2014 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Turnover | 549,625 | 532,341 |
| (Loss)/Profit before taxation | (41,196) | 2,049 |
| Net loss after taxation | (44,029) | (3,555) |

IMPLICATION OF THE LISTING RULES

Under Chapter 14 of the Listing Rules, the grant of Loan constitutes a major transaction of the Company. The Loan and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements pursuant to 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 Loan or if it were put forward to the Shareholders for approval at a general meeting of the Company no Shareholder be required to abstain from voting on the resolution(s) approving the transaction.

The Company will comply with all applicable Listing Rules and any applicable requirements under Securities and Futures Ordinance if and when there is any default in repaying the Loan and the Company enforces the relevant Share Charges.

LETTER FROM THE BOARD

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals of the grant of the Loan pursuant to the Loan Agreement and the transaction contemplated under the Loan Agreement and the Security Documents have been obtained from Sea Rejoice Limited and Magical Profits Limited, substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the Latest Practicable Date. Sea Rejoice Limited which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of the Company. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued shares of the Company is wholly-owned by The Winterbotham Trust Company Limited as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members, including Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive director of the Company, other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a “closely allied group of shareholders” for the purpose of the Listing Rules.

RECOMMENDATION

The Board considers that the grant of Loan arrangement was entered into after arm's length negotiation and the terms of the Loan Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution if the Company were to convene a general meeting to approve the Loan and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Your faithfully,
By Order of the Board
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President & 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 years 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 websites of the Company (www.easyknit.com) and the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account 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.

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 interest 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

For the year 2014/15, 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 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.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the major transaction of granting a loan of HK\$185,000,000 to an independent third party pursuant to the Loan Agreement (the “Major Transaction”) as if the Major Transaction has taken place on 31 March 2015.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Group had the Major Transaction been completed as at 31 March 2015 or at any future date.

| | The Group at 31 March 2015 | Pro forma adjustment | Pro forma total for the Group |
|--|---|----------------------------------|--|
| | <i>HK\$'000</i> (Audited) <i>Note 1</i> | <i>HK\$'000</i> <i>Note 2</i> | <i>HK\$'000</i> (Unaudited) |
| Non-current assets | | | |
| Property, plant and equipment | 36,220 | – | 36,220 |
| Investment properties | 2,756,494 | – | 2,756,494 |
| Available-for-sale investments | 97,916 | – | 97,916 |
| Loans receivable | 54,017 | – | 54,017 |
| Deposit for acquisition of property, plant and equipment | 4,249 | – | 4,249 |
| Deposit and prepayments for a life insurance policy | 9,901 | – | 9,901 |
| | <u>2,958,797</u> | <u>–</u> | <u>2,958,797</u> |
| Current assets | | | |
| Properties held for development for sale | 604,918 | – | 604,918 |
| Deposits and prepayments for acquisition of properties held for development for sale | 84,848 | – | 84,848 |
| Properties held for sale | 1,035,599 | – | 1,035,599 |
| Investments held for trading | 325,435 | – | 325,435 |
| Trade and other receivables | 93,771 | – | 93,771 |
| Bills receivable | 869 | – | 869 |
| Loans receivable | 100,831 | 188,315 | 289,146 |
| Bank balances and cash | 378,520 | (188,315) | 190,205 |
| | <u>2,624,791</u> | <u>–</u> | <u>2,624,791</u> |

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

| | The Group at 31 March 2015 | Pro forma adjustment | Pro forma total for the Group |
|--|---|--------------------------------------|--|
| | <i>HK\$'000</i> (Audited) <i>Note 1</i> | <i>HK\$'000</i> <i>Note 2</i> | <i>HK\$'000</i> (Unaudited) |
| Current liabilities | | | |
| Trade and other payables | 104,494 | – | 104,494 |
| Tax payable | 29,615 | – | 29,615 |
| Secured bank borrowings | 902,767 | – | 902,767 |
| | <u>1,036,876</u> | – | <u>1,036,876</u> |
| Net current assets | <u>1,587,915</u> | – | <u>1,587,915</u> |
| Total assets less current liabilities | <u>4,546,712</u> | – | <u>4,546,712</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 16,854 | – | 16,854 |
| Secured bank borrowings | 635,059 | – | 635,059 |
| | <u>651,913</u> | – | <u>651,913</u> |
| | <u><u>3,894,799</u></u> | <u><u>–</u></u> | <u><u>3,894,799</u></u> |

Notes:

1. The figures are extracted from the consolidated statement of financial position of the Group as at 31 March 2015, as set out in the published annual report of the Group for the year ended 31 March 2015.
2. The adjustment represents (i) the draw down of Loan of HK\$185,000,000, which bears interest at 17% per annum and will be mature at the twelve calendar months from the Drawdown Date, by the Borrower pursuant to the Loan Agreement; and (ii) capitalisation of direct expenses relating to the grant of Loan of approximately HK\$3,315,000 including legal and professional fees of approximately HK\$170,000 and arrangement fee of approximately HK\$3,145,000 (equivalent to 10% of the interest income).
3. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

Deloitte.
德勤

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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 unaudited pro forma statement of assets and liabilities of the Group as at 31 March 2015 and related notes as set out on pages II-1 and II-2 of the circular issued by the Company dated 17 July 2015 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 and II-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the major transaction of granting a loan of HK\$185,000,000 to an independent third party (the “Major Transaction”) on the Group’s assets and liabilities as at 31 March 2015 as if the Major Transaction had taken place at 31 March 2015. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2015, 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 Accountants’ 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.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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 Major Transaction at 31 March 2015 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 accountants' judgment, having regard to the reporting accountants' 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
17 July 2015

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 trustee of The Magical 2000 Trust (the beneficiaries of which include 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 corporation*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) | 217,776,531 | 1,877,934 | 219,654,465 | 41.31% |
| Ms. Koon Ho Yan Candy | Beneficiary of a trust (Note v) | 217,776,531 | 1,877,934 | 219,654,465 | 41.31% |

Notes:

- (iv) 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 beneficially owned by Landmark Profits Limited and Goodco Development Limited respectively, both are the wholly-owned subsidiaries of the Company. Goodco Development Limited is also interested in 1,877,934 underlying shares of Easyknit Enterprises (subject to adjustment) to be issued upon the full conversion of the outstanding 2014 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 trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (v) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director, 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 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 include Ms. Lui Yuk Chu, a Director, and her family members other than her spouse). 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) On 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 was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any 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 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 Development Limited, 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 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 dated 29 May 2015 entered into between Easyknit Enterprises and an independent third party, as the subscriber, agreed to subscribe a convertible note issued by Easyknit Enterprises in the aggregate principal amount of HK\$86,000,000 which may be converted into 101,176,470 shares of Easyknit Enterprises at the initial conversion price of HK\$0.85 per share (subject to adjustment); and
- (k) the Loan Agreement.

8. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor.
- (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;
- (f) the Loan Agreement; and
- (g) this circular.