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

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

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

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**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**永義實業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 0616)**

**VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO  
THE ACQUISITION OF A PROPERTY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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

A letter from the Board is set out on pages 3 to 8 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 18 June 2014 at 9:30 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

\* *for identification only*

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Target Property by the Purchaser
“Announcement”	the Company’s announcement dated 30 April 2014 in relation to the Acquisition
“Board”	board of Directors
“Company”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms of the Provisional Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	Any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Latest Practicable Date”	28 May 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Matheson Building”	a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong

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## DEFINITIONS

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“Provisional Agreement”	the provisional sale and purchase agreement dated 30 April 2014 was entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Target Property
“Purchase Price”	the purchase price of HK\$236,800,000 for the acquisition of the Target Property pursuant to the Provisional Agreement
“Purchaser”	Main Lucky Enterprises Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 18 June 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the Provisional Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holders of the shares of the Company
“Share(s)”	ordinary share(s) of the par value HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong comprising shop A and shop B, with a total saleable area of approximately 675 sq.ft.
“Vendor”	Silver Master Limited, a company incorporated in Hong Kong with limited liability
“sq.ft.”	square feet
“%”	per cent.

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LETTER FROM THE BOARD

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**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**永義實業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 0616)**

*Executive Directors:*

Mr. Kwong Jimmy Cheung Tim  
*(Chairman and Chief Executive Officer)*  
Ms. Lui Yuk Chu  
*(Deputy Chairman)*  
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. Kan Ka Hon  
Mr. Lau Sin Ming  
Mr. Foo Tak Ching

30 May 2014

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO  
THE ACQUISITION OF A PROPERTY**

**INTRODUCTION**

The Board is pleased to announce that on 30 April 2014, Provisional Agreement was entered into between a wholly-owned subsidiary of the Company as Purchaser, and an Independent Third Party as Vendor, pursuant to which, among other things, the Purchaser agreed to purchase and the Vendor agreed to sell the Target Property at a purchase price of HK\$236,800,000.

\* *for identification only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) details of the Acquisition; (ii) financial information on the Target Property; (iii) pro forma financial information of the Group; (iv) independent property valuation report of the Target Property, and (v) a notice of SGM to be convened and held for purpose of considering and, if thought fit, approving the Provisional Agreement and the transactions contemplated thereunder.

### **PRINCIPAL TERMS OF THE PROVISIONAL AGREEMENT**

#### **Date**

30 April 2014

#### **Parties**

- (a) The Vendor: Silver Master Limited
- (b) The Purchaser: Main Lucky Enterprises Limited

The principal business activity of the Vendor is property investment. The Purchaser is an indirect wholly-owned subsidiary of the Company.

The Company and the Vendor have not entered into any transaction of a similar nature in the past 12 months that would need to be aggregated in accordance with Rule 14.22 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

#### **Assets to be Acquired**

Pursuant to the terms of the Provisional Agreement, the Purchaser will acquire the Target Property from the Vendor at a purchase price of HK\$236,800,000. An initial deposit of HK\$23,680,000 was paid by the Purchaser upon signing of the Provisional Agreement and a further deposit of HK\$23,680,000 was paid by the Purchaser on 14 May 2014 in signing of the formal agreement. The balance of the Purchase Price of the Target Property, being HK\$189,440,000 will be paid upon Completion, which is scheduled to take place on or before 29 August 2014. The Acquisition is to be funded by the internal resources of the Group which were raised from the equity fund-raising exercises in the past 15 months.

The Purchase Price was determined after arm's length negotiations after taking into account the relevant factors including market value of the comparable properties, location of the Target Property, the existing value and the redevelopment value of the Target Property.

A valuation report of the Target Property performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is set out in Appendix IV to this circular.

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## LETTER FROM THE BOARD

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The Target Property is currently leased by the Vendor to 2 tenants, which is subject to 2 tenancy agreements which will expire in May 2014 and a renewal tenancy agreement which will expire in November 2014. The tenants are all Independent Third Parties. Details of the tenancies are in Appendices II and IV to this circular.

### **Conditions Precedent**

The Completion of the Acquisition is conditional upon, among others, the passing of an ordinary resolution by the Shareholders at the SGM to be convened and held for the necessary resolution to approve the Provisional Agreement and the transactions contemplated thereunder.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Property is situated at the ground floor of the Matheson Building. The Matheson Building comprises 5 units on the first to fifth floors (approximately 83.3% of the undivided shares of the Matheson Building) and the Target Property on the ground floor. The Company completed the acquisition of the aforesaid 5 units in June 2012. In December 2012, the Company had, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes of redevelopment, with a view to acquiring the Target Property. The Lands Tribunal has fixed the hearing of the above from 7 to 12 May 2014.

As the softening of the Hong Kong property market in the recent months and the proximity to the hearing date in the Lands Tribunal, the owner of the Target Property agreed to sell the Target Property to the Purchaser at the Purchase Price; and the Company and the owner of the Target Property has submitted the joint application of discontinuance of the aforesaid Land Compulsory Sale application on 2 May 2014.

Upon the Completion of the Acquisition, the Purchaser is the sole owner of the Matheson Building and the Company intends to consolidate its ownership of the entire buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site into a single high rise complex buildings with the properties for residential and/or commercial and/or leisure purposes, which the Directors estimate will take approximately three years. From the date of the Announcement and up to the Latest Practicable Date, the Company has several rounds of discussions with the property owners of No. 11 and 13 Matheson Street with the aim to reach the compromised terms on the acquisitions. Though having active discussions, the Directors are of a view that at present is still in a preliminary stage as the property owners are reluctant to lower the asking price and insists on maintaining approximately HK\$21,000,000 per unit.

No. 13 Matheson Street is located next to No. 15 Matheson Street. It consists of 5 residential units on the first to fifth floors and a retail unit of the ground floor with a cockloft. This retail unit is owned by the Group. The residential units are owned by Independent Third Parties.

The building No. 11 Matheson Street, located next to No. 13 Matheson Street, it consists of 5 residential units on the first to fifth floors and a retail unit of the ground floor with a cockloft. The entire building is owned by Independent Third Parties.

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## LETTER FROM THE BOARD

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Upon the Completion of the Acquisition, the Company's plan on the Target Property is to continue to generate the rental income to the Group until a more concrete plan on the redevelopment of No. 11, 13 and 15 Matheson Street has been formulated. As at the Latest Practicable Date, the Company does not have any concrete timeline in consolidating and redeveloping of No. 11, 13 and 15 Matheson Street but the management of the Company will review the status on the progress of the possible acquisitions of the remaining properties of No. 11 and 13 Matheson Street quarterly so as to meet the prevailing trend of the property market.

Upon the settlement of the Purchase Price and other related expenses such as stamp duty, professional and legal fees, the remaining proceeds from previous fund-raising activities which is earmarked for the acquisition of the remaining properties of No. 11 and 13 Matheson Street is approximately HK\$205,000,000. The Directors estimate that the acquisition of the remaining properties will require financial resources of between HK\$450 million to HK\$500 million at current prices. Thereafter, additional financial resources are need to redevelop the site in to properties for residential and/or commercial uses, which the Directors estimate will take approximately 3 years. Redevelopment costs will be required for planning and design, demolition, foundation works, superstructure construction and interior works, and is currently estimated to be between HK\$150 million and HK\$200 million at current prices. Out of these redevelopment costs, about 10% is estimated to be utilised in the pre-construction phase, which would involve developing of plans, drawing up specifications, obtaining financing, financial budgets and obtaining relevant permits. Thereafter costs incurred in the initial construction phase, involving demolition and the building of foundation and framework of the building are estimated to account for about 60% of the redevelopment costs. The finishing phase, including work such as installation of interior components like mechanical systems as well as furnishings, is estimated to account for 20% of the redevelopment costs with the post construction phase (involving final finishing and inspections) accounting for the remaining 10% of the redevelopment costs.

As at the Latest Practicable Date, the Company does not have any plan to identify and/or conclude any terms for any suitable fund raising opportunities with financial institution(s) and underwriters.

The Directors, including the independent non-executive Directors of the Company, are of the view that the terms of the Provisional Agreement are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the resolution to be proposed at the SGM.

### **FINANCIAL EFFECTS OF THE ACQUISITION**

#### **Earnings**

The Target Property is subject to 2 tenancy agreements which will expire in May 2014 and a renewal tenancy agreement which will expire in November 2014. The Target Property will derive rental income from these tenants and therefore the Acquisition will have positive effects on the earnings of the Group. Direct expenses relating to the Acquisition are disclosed in Appendix III to this circular.



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## LETTER FROM THE BOARD

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### **Assets and Liabilities**

Upon the Completion, the effect of the Acquisition is that the investment properties held by the Group will increase; cash reserve will decrease which will be applied toward settlement of the Purchase Price for the Acquisition; trade and other trade payables will increase due to unsettled balance of the Acquisition and the transfer of the rental deposits relating to the Target Property to the Group.

### **INFORMATION ON THE GROUP AND THE PURCHASER**

The Group is principally engaged in the property investments, comprising the ownership and rental of investment properties, garment sourcing and export businesses, investment in securities and loan financing.

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Purchaser is the owner of 5 residential units of the first floor to fifth floor of Matheson Building.

### **SGM**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. The Acquisition and the transactions contemplated thereunder are subject to the reporting, announcement and Shareholders' approval requirements pursuant to the Listing Rules. At present no Shareholder is required to abstain from voting on the approval of the Acquisition.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 18 June 2014 at 9:30 a.m. is set out on N-1 to N-2 of this circular.

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

### **RECOMMENDATION**

The Board considers that the Provisional Agreement has been entered into after arm's length negotiation and the terms of the Provisional Agreement are fair and reasonable and the entering into of the Provisional Agreement is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM to approve, among other things, the Provisional Agreement and the transaction contemplated thereunder.

### 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 Enterprises Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

## 1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the year ended 31 March 2011, 2012 and 2013. The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2013 is disclosed in 2013/14 interim report of the Company, which can be accessed on the website of the Company ([www.easyknitenterp.com](http://www.easyknitenterp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## 2. WORKING CAPITAL

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

## 3. INDEBTEDNESS

At the close of business on 30 April 2014, being the latest practicable date for ascertaining the information prior to the printing of this circular, the Group has outstanding bank borrowings of approximately HK\$161.5 million, which was guaranteed by the Company and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$161.3 million and interest payable of approximately HK\$0.2 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 30 April 2014 any debt securities authorised or created by 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 six months period ended 30 September 2013 (the “**Period**”), the Group’s unaudited consolidated profit attributable to shareholders of the Company for the Period was HK\$4,071,000 as compared to a loss of HK\$20,613,000 for the corresponding period in 2012 (“**2012 Period**”). The profit was mainly attributable to a turn from a loss of approximately HK\$45,006,000 to a gain of approximately HK\$6,384,000 on changes in fair value of investment properties. There was no one off gain arising from the discontinued operations as compared with the 2012 Period.

Basic earnings per share from continuing and discontinued operations amounted to HK cents 0.32 compared with basic loss per share HK cents 2.46 for 2012 Period.

Looking forward, the global economy continues to face uncertainties. Although the property market and unemployment in the US have shown some improvement, concerns on the US Federal Reserve's plan to start tapering monetary stimulus have brought turbulence to the global financial market. As for the other major economies, China government has pledged to stabilise growth amid increasing signs of China's economic slow-down while euro sovereign debt crisis is lingering.

Against a backdrop of challenging operating environment, we will strive to improve our performance of our garment sourcing and export businesses in the second half. We will foster relationship with existing customers and seek new customers; and will continue to streamline operations and optimise efficiency.

The Group remains confident in the prospect for the property market in Hong Kong. Though the introduction of the Residential Properties (First-hand Sales) Ordinance and the launch of various stamp duties have inevitably caused short-term volatility and uncertainty towards the overall residential property market, the underlying housing demand remains strong.

In summary, despite various challenging and uncertainties, the Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole; and continue exploring any investment opportunity in hotel and service apartments, notwithstanding, the Company currently has not identified any specific acquisition target.

## **5. MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2013, 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:

- (i) As disclosed in the joint announcement of the Company and Easyknit International Holdings Limited ("EI") dated 5 April 2013 and the announcement of the Company dated 21 June 2013, the Company raised approximately HK\$122 million by way of rights issue.
- (ii) As disclosed in the joint announcements of the Company and EI dated 11 September 2013 and 24 September 2013, the Company raised approximately HK\$20 million by way of placing of new Shares under general mandate.
- (iii) As disclosed in the joint announcement of the Company and EI dated 3 October 2013 and the announcement of the Company dated 17 December 2013, the Company raised approximately HK\$146 million by way of rights issue.

- (iv) As disclosed in the interim report of the Company for the six months ended 30 September 2013, the Group recorded a profit for the period attributable to owners of the Company of approximately HK\$4.1 million, as compared to the loss of approximately HK\$20.6 million for the six months ended 30 September 2012. Such improvement in results was mainly attributable to a turn from loss to gain on changes in fair value of investment properties.
- (v) As disclosed in the joint announcement of the Company and EI dated 16 January 2014, the Company raised approximately HK\$98.7 million by way of issuing a convertible note to EI.

There has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this circular.

**1. PROFIT AND LOSS STATEMENT OF THE TARGET PROPERTY**

In accordance with Rule 14.69(4)(b)(i) of the Listing Rules, a profit and loss statement of the Target Property for the three financial years ended 31 March 2014 (“Relevant Financial Years”) is required to be included in this circular. The Company was provided with copies of the tenancy agreements (“Tenancy Agreements”) for the Target Property. Other than such limited information, despite requests made by the Company’s legal advisers in this transaction, the Company is unable to gain full access to the underlying books and records or other financial information of the Vendor regarding the direct costs and other expenses for the preparation of the financial information of the Target Property for the Relevant Financial Years in strict compliance with the requirements of Rule 14.69(4)(b)(i) of the Listing Rules. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 14.69(4)(b)(i) of the Listing Rules, such that the following information be disclosed instead. The financial information of the Target Property for each of the Relevant Financial Years set out below has been prepared by the Directors solely based on the Tenancy Agreements provided by the Vendor. Accordingly, it may not give a true picture of the performance of the Target Property during the Relevant Financial Years.

	<b>For the year ended 31 March</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Rental income:			
Shop A	2,520,000	2,520,000	2,468,064
Shop B	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>
<b>Total</b>	<b><u><u>2,880,000</u></u></b>	<b><u><u>2,880,000</u></u></b>	<b><u><u>2,828,064</u></u></b>

*Notes:*

- The rental income for the Relevant Financial Years is derived from the Tenancy Agreements.
- Based on the Tenancy Agreements, gas, water, telephone and electricity charges were borne by the respective tenants of the Target Property. No management fees has to be paid and the rates paid on the Target Property were borne by the tenants which was estimated to approximately HK\$81,600, HK\$77,600 and HK\$99,000 for the financial year ended 31 March 2012, 2013 and 2014 respectively.
- Based on the statutory tax rate of Hong Kong, the total property tax paid and payable in respect of the Tenancy Agreements is estimated to be approximately HK\$345,600, HK\$345,600 and HK\$339,367 for the financial year ended 31 March 2012, 2013 and 2014 respectively.
- Save for the Tenancy Agreements and other publicly available information, the Directors do not have access to other financial information in relation to the Target Property. Due to the limited information available to them, the Directors, based on the terms of the Tenancy Agreements and the experience of the Company’s management, estimated that the other monthly expenses such as maintenance cost or insurance cost of the Target Property which are payable by the landlord is minimal. Accordingly, no other expenses such as maintenance cost, insurance cost or finance cost were included in the above financial information.
- Save for the information that the Company could not obtain from the Vendor, the financial information of the Target Property set out above is prepared using accounting policies which are materially consistent with those of the Company.

6. The following procedures have been undertaken by Deloitte Touche Tohmatsu (“Deloitte”), the auditor of the Company, in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), with respect to the Tenancy Agreements.

Deloitte:

- i. obtained the rental income summary and the rental income listing from the management of the Company and checked their arithmetical accuracy.
- ii. compared the total amounts of rental income for the three years ended 31 March 2014 as shown in the rental income summary to the respective total rental amounts as stated in the rental income listing.
- iii. compared the particulars in the rental income listing to the tenancy agreements which were provided to Deloitte by the management of the Company.

Deloitte’s findings are:

- a. With respect to item i, Deloitte found that the rental income summary and the rental income listing were arithmetically accurate.
- b. With respect to item ii, Deloitte found that the total amounts of rental income for the three years ended 31 March 2014 as shown in the rental income summary were in agreement with the respective total rental amounts shown in the rental income listing.
- c. With respect to item iii, Deloitte found that the particulars as shown in the rental income listing were in agreement with those contained in the relevant tenancy agreements which were provided to Deloitte by the management of the Company.

Because the above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, issued by the HKICPA, Deloitte does not express any assurance on the rental income summary or the rental income listing.

Had Deloitte performed additional procedures or had Deloitte performed an assurance engagement on the rental income summary or the rental income listing in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to Deloitte’s attention that would have been reported to the Company.

7. The directors of the Company are of the views that the omission of a profit and loss statement for the net income stream of the Target Property in the past would not render this circular materially incomplete and misleading or deceptive.

## **VALUATION OF THE PROPERTY**

No valuation of the Target Property at the end of the three years ended 31 March 2014 has been disclosed herein as the Directors were unable to obtain any valuation reports from the Vendor.

**Unaudited Pro Forma Statement of Profit or Loss and Other Comprehensive Income**

The following is an illustrative and unaudited pro forma statement of profit or loss and other comprehensive income of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the very substantial acquisition of the Property (the “Very Substantial Acquisition”) as if the Very Substantial Acquisition has taken place on 1 April 2013.

This unaudited pro forma statement of profit or loss and other comprehensive income of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture for the results of the Group had the Very Substantial Acquisition for the six months ended 30 September 2013 or for any future period.

	<b>The Group for the six months ended 30 September 2013</b>	<b>Pro forma adjustments</b>		<b>Pro forma total for the Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			(Unaudited)
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Turnover	103,753	1,440	–	105,193
Cost of goods sold and services rendered	(86,361)	–	–	(86,361)
Gross Profit	17,392	1,440	–	18,832
Other income	4,613	–	–	4,613
Other gains and losses	(15)	–	–	(15)
Other expenses	(891)	–	–	(891)
Distribution and selling expenses	(1,996)	–	–	(1,996)
Administrative expenses	(14,531)	–	–	(14,531)
Gain (loss) arising on changes in fair value of investment properties	6,384	–	(27,128)	(20,744)
Loss on fair value changes of investments held for trading	(3,020)	–	–	(3,020)
Finance costs – interest on bank borrowings not wholly repayable within five years	(2,269)	–	–	(2,269)
Profit (loss) before taxation	5,667	1,440	(27,128)	(20,021)
Taxation charge	(1,596)	–	–	(1,596)



	The Group for the six months ended 30 September 2013			Pro forma total for the Group (Unaudited)
	HK\$'000 (Unaudited) <i>Note 1</i>	Pro forma adjustments HK\$'000		
		<i>Note 2</i>	<i>Note 3</i>	
Profit (loss) for the period attributable to the owners of the Company	4,071	1,440	(27,128)	(21,617)
Other comprehensive income: Items that may be subsequently reclassified to profit or loss: Exchange differences arising on translation of financial statements of foreign operations	3,423	–	–	3,423
Other comprehensive income for the period	3,423	–	–	3,423
Total comprehensive income (expenses) for the period attributable to the owners of the Company	<u>7,494</u>	<u>1,440</u>	<u>(27,128)</u>	<u>(18,194)</u>

*Notes:*

- The figures are extracted from the condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 September 2013, as set out in the corresponding published interim report of the Company.
- The adjustments represent rental income generated by the Property for the six months ended 30 September 2013. No pro forma adjustment is made relating to the provision of income tax arose from this rental income as the assessable profit is wholly absorbed by the available tax losses of the Purchaser. In addition, no pro forma adjustment on the changes in fair value of the Property during the six months ended 30 September 2013 as the Property is assumed to be purchased on 1 April 2013 at the Purchase Price of HK\$236,800,000.
- The adjustment represents the direct expenses relating to the Very Substantial Acquisition of approximately HK\$27,128,000 including stamp duty of approximately HK\$10,064,000, consultancy fee of approximately HK\$16,576,000 and legal and professional fees of approximately HK\$488,000. The Group will settle these direct expenses by cash.
- No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

**Unaudited Pro Forma Net Assets Statement**

The following is an illustrative and unaudited pro forma net assets statement of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the very substantial acquisition of the Property (the “Very Substantial Acquisition”) as if the Very Substantial Acquisition has taken place on 30 September 2013.

This unaudited pro forma net assets statement of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Very Substantial Acquisition been completed as at 30 September 2013 or at any future date.

	<b>The Group at 30 September 2013 HK\$'000 (Unaudited) Note 1</b>	<b>Pro forma adjustments HK\$'000 Note 2      Note 3</b>		<b>Pro forma total for the Group HK\$'000 (Unaudited)</b>
<b>Non-current assets</b>				
Property, plant and equipment	131	–	–	131
Investment properties	629,714	236,800	–	866,514
Loans receivable	17,500	–	–	17,500
	<u>647,345</u>	<u>236,800</u>	<u>–</u>	<u>884,145</u>
<b>Current assets</b>				
Trade and other receivables	23,508	–	–	23,508
Investments held for trading	100,109	–	–	100,109
Bank deposits with original maturity of more than three months	130,000	–	–	130,000
Bank balances and cash	265,245	(263,928)	630	1,947
	<u>518,862</u>	<u>(263,928)</u>	<u>630</u>	<u>255,564</u>
<b>Current liabilities</b>				
Trade and other payables	28,956	–	630	29,586
Bills payable	1,553	–	–	1,553
Tax payable	6,909	–	–	6,909
Secured bank borrowings	6,886	–	–	6,886
	<u>44,304</u>	<u>–</u>	<u>630</u>	<u>44,934</u>
<b>Net current assets</b>	<u>474,558</u>	<u>(263,928)</u>	<u>–</u>	<u>210,630</u>
<b>Total assets less current liabilities</b>	<u>1,121,903</u>	<u>(27,128)</u>	<u>–</u>	<u>1,094,775</u>

	<b>The Group at 30 September 2013</b>	<b>Pro forma adjustments</b>		<b>Pro forma total for the Group</b>
	<i>HK\$'000</i> (Unaudited) <i>Note 1</i>	<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> (Unaudited)
<b>Non-current liabilities</b>				
Deferred tax liabilities	14,643	–	–	14,643
Secured bank borrowings	158,449	–	–	158,449
	<u>173,092</u>	<u>–</u>	<u>–</u>	<u>173,092</u>
	<u>948,811</u>	<u>(27,128)</u>	<u>–</u>	<u>921,683</u>
<b>Capital and reserves</b>				
Share capital	19,773	–	–	19,773
Reserves	929,038	(27,128)	–	901,910
	<u>948,811</u>	<u>(27,128)</u>	<u>–</u>	<u>921,683</u>

*Notes:*

- The figures are extracted from the condensed consolidated statement of financial position of the Group as at 30 September 2013, as set out in the corresponding published interim report of the Company.
- The adjustment represents the acquisition of the Property by the Group for rental purpose at a consideration of HK\$236,800,000 and direct expenses relating to the Very Substantial Acquisition of approximately HK\$27,128,000 including stamp duty of approximately HK\$10,064,000, consultancy fee of approximately HK\$16,576,000 and legal and professional fees of approximately HK\$488,000. The Group will settle the consideration and direct expenses by cash.
- In connection with the Acquisition, rental deposits of HK\$630,000 will be transferred from the Vendor to the Group in relation to the tenancy agreements of the Property upon completion of the Very Substantial Acquisition.
- No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma net assets statement as at 30 September 2013 and the pro forma statement of profit or loss and other comprehensive income for the six months ended 30 September 2013 and related notes as set out on pages III-1 to III-4 of the circular issued by the Company dated 30 May 2014 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-4 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial acquisition of an investment property located at the Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$236,800,000 (the “Very Substantial Acquisition”) on the Group’s financial position as at 30 September 2013 and the Group’s financial performance for six months ended 30 September 2013 as if the Very Substantial Acquisition had taken place on 30 September 2013 and 1 April 2013 respectively. As part of this process, information about the Group’s financial position and financial performance has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2013, on which no review report has been published.

**Directors’ Responsibilities for the Pro Forma Financial Information**

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

**Reporting Accountant’s Responsibilities**

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Very Substantial Acquisition at 30 September 2013 or 1 April 2013 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

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

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
30 May 2014

*The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 28 April 2014 of the property interest to be acquired by the Group.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

30 May 2014

The Board of Directors

**Easyknit Enterprises Holdings Limited**

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

Dear Sirs,

**Re: Valuation of Ground Floor, No. 15 Matheson Street, Causeway Bay, Hong Kong.**

In accordance with your instructions to value captioned property to be acquired by Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 28 April 2014 (the “valuation date”).

Our valuation of the property interest represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit subject to the existing tenancies and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; paragraph 34(2) of the Third Schedule of Companies Ordinance and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notices; the City Code on Takeovers and Merges by the Panel on Takeover and Mergers; RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title document and tenancy agreement relating to the property interest and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the area in respect of the property but have assumed that the area shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in April of 2014 by Mr. Gilbert Chan and Mathew Ma, who is a Chartered Surveyor and a member of RICS.



We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD).

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,  
for and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Gilbert C.H. Chan**  
*MRICS MHKIS RPS(GP)*  
Director

*Note:* Gilbert C.H. Chan is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC.

## VALUATION CERTIFICATE

## Property interest to be acquired by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 April 2014 <i>HKD</i>
Ground Floor No. 15 Matheson Street Causeway Bay Hong Kong	The property comprises a main shop unit and a yard on Ground Floor of a 6-storey tenement building which was completed in 1961.	The main shop unit is leased to a tenant and the yard (also known as "Shop B") is leased to another tenant (please see note nos. 8 & 9).	249,000,000  100% interest attributable to the Group: 249,000,000
1/6th shares of and in Section S of Inland Lot No. 730	The property has a saleable area of approximately 674.9 sq.ft. or 62.7 sq.m. with yard area of approximately 143.2 sq.ft. or 13.3 sq.m.  The land use rights of the property have been granted for a term of 999 years commencing from 1 September 1881. Annual Government Rent for the whole of Inland Lot No. 730 is HKD499.84.		

*Notes:*

1. The registered owner of the property is Silver Master Limited vide Memorial No. UB5272353 dated 1 April 1992.
2. According to the Draft Wan Chai Outline Zoning Plan No. S/H5/27 dated 3 August 2012, the site of the property is zoned as 'Commercial'.
3. The property is subject to a Deed of Mutual Covenant and Grant vide Memorial No. UB500397 dated 8 July 1965.
4. The property is subject to a Sealed Copy Notice of Application to Lands Tribunal for an Order of Sale between Main Lucky Enterprises Limited (Application (The Majority Owner)) and Silver Master Limited (Respondent (The Minority Owner)) under Land (Compulsory Sale for Redevelopment) Ordinance LDCS 56000/2012 vide

Memorial No. 12122402060026 dated 20 December 2012. However, this proceeding has been discontinued. Pursuant to a letter with Consent Summons from Lands Tribunal, the parties' joint application of discontinuance of the proceedings of LDCS56000 of 2012 with no order as to costs was received and filed on 2 May 2014.

5. The property is subject to a Mortgage in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial No. 13051000950149 dated 2 May 2013.
6. The property is subject to a Rental Assignment in favour of Nanyang Commercial Bank, Limited vide Memorial No. 13051000950151 dated 2 May 2013.
7. The property is subject to a Provisional Agreement for Sale and Purchase in favour of Main Lucky Enterprises Limited, a wholly-owned subsidiary of the Company, for a consideration of HKD236,800,000 vide Memorial No. 14050500990012 dated 30 April 2014 (deeds pending registration).
8. The property is subject to various Tenancy Agreements:
  - a. The main shop unit is leased for a term of 3 years commencing from 16 May 2011 and expiring on 15 May 2014 with a monthly rental of HKD210,000 exclusive of government rent, rates and management fees. By virtue of an Agreement dated 23 April 2014, the same tenant continues to rent the main shop unit for a term of 6 months commencing from 16 May 2014 and expiring on 15 November 2014 with a monthly rental of HKD210,000 exclusive of government rent, rates and management fees; and
  - b. The yard (also known as "Shop B") on Ground Floor is leased for a term of 3 years and 4 months commencing from 1 February 2011 and expiring on 31 May 2014 at a monthly rental of HKD30,000 inclusive of government rent and rates but exclusive of management fee and other outgoings (please see note no. 9).
9. Upon our inspection, we noted that the yard was enclosed and covered to form extra shop space (known as "Shop B"). Since we cannot verify the structure of Shop B was authorized with any documentary proof, in the course of our valuation, we have disregarded its enhancement value, if any.
10. Here are the details of the property as at the valuation date:

- a. General description of the property : The property is situated on the north-western side of Matheson Street at its junctions with Yiu Wa Street, Causeway Bay, Hong Kong.

The immediate locality is a famous shopping area for tourists and local population. The general area is characterized by a mixture of low-rise tenement style blocks, composite buildings, high-end shopping malls and high-rise residential buildings. Since redevelopment of tenement blocks to commercial uses has been undergoing on piece meal basis, the locality would be subject to material change in the future.

Upon our inspection, the exterior of the subject building and the interior of the property are in reasonable condition commensurate with its age and use.

- b. Details of encumbrances, liens, pledges, mortgages against the property : Please refer to note nos. 3 to 7 above.
- c. Environmental issue : Nil
- d. Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
- e. Future plans for construction, renovation, improvement or development of the property : The Company intends to consolidate its ownership of the entire tenement buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site. Upon the completion of the sale and purchase of the property, the Company would continue the negotiations with the owners of the properties of No. 11 and 13 Matheson Street for the purchase of their respective units. Since the sites along Matheson Street are zoned as 'Commercial' uses, the redevelopment of old tenement buildings is compatible with the planning intention.

## 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 or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interest in Shares, underlying Shares and debentures

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

Name of Director	Capacity	Number of ordinary Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (note i)	136,993,438	117,647,058	254,640,496	78.11%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (note ii)	136,993,438	117,647,058	254,640,496	78.11%

*Notes:*

- (i) These Shares are respectively registered in the name of and are beneficially owned by Landmark Profits Limited (“**Landmark Profits**”) and Goodco Development Limited (“**Goodco**”), both are wholly-owned subsidiaries of EI. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited (“**Magical Profits**”) is interested in approximately 36.74% of the issued share capital of EI. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

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' interest in Shares and underlying Shares**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons (“**Substantial Shareholders**”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital are set out below:

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Number of underlying Shares held	Total	Approximate Percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	136,993,438	117,647,058	254,640,496	78.11%
Landmark Profits	<i>i &amp; ii</i>	Beneficial owner	47,140,104	–	47,140,104	14.46%
Goodco	<i>i &amp; ii</i>	Beneficial owner	89,853,334	117,647,058	207,500,392	63.65%
EI	<i>i &amp; ii</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
Magical Profits	<i>i &amp; iii</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
Hang Seng Bank Trustee International Limited	<i>i &amp; iv</i>	Trustee	136,993,438	117,647,058	254,640,496	78.11%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Number of underlying Shares held	Total	Approximate Percentage of interest
HSBC Asia Holdings (UK) Limited	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
HSBC Holdings BV	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
HSBC Finance (Netherlands)	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%
HSBC Holdings plc	<i>iv</i>	Interest of controlled corporation	136,993,438	117,647,058	254,640,496	78.11%

*Notes:*

- (i) In the 136,993,438 Shares, 47,140,104 Shares and 89,853,334 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of EI. Goodco is also interested in 117,647,058 underlying Shares (subject to adjustment) to be issued upon the full conversion of the convertible note. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits is interested in approximately 36.74% of the issued share capital of EI. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director of the Company, and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, is deemed to be interested in the 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 254,640,496 Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being directors of the Company, are also directors of Landmark Profits, Goodco and EI. Ms. Koon Ho Yan Candy, being a director of the Company, is also a director of EI.
- (iii) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Sea Rejoice Limited and Magical Profits.
- (iv) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business 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 30 May 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of the Company at a placing price of HK\$0.141 per share;
- (b) the placing agreement dated 18 July 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of the Company at a placing price of HK\$0.106 per share;
- (c) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of the Company at a subscription price of HK\$0.077 per rights share;
- (d) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary of E1, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for 3 years at a monthly rental at HK\$208,000;
- (e) the underwriting agreement dated 11 October 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;
- (f) the placing agreement dated 28 January 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of the Company at a placing price of HK\$0.44 per share;
- (g) the underwriting agreement dated 5 April 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 1,235,824,500 rights shares at the subscription price of HK\$0.10 per rights share;



- (h) the placing agreement dated 11 September 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of the Company at a placing price of HK\$0.063 per share;
- (i) the underwriting agreement dated 3 October 2013 entered into between the Company 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 at the subscription price of HK\$0.60 per rights share;
- (j) the subscription agreement dated 16 January 2014 entered into between the Company and Goodco Development Limited, the substantial shareholder of the Company and a wholly-owned subsidiary of EI, as the subscriber, agreed to subscribe a convertible note issued by the Company in the aggregate principal amount of HK\$100,000,000 which may be converted into 147,058,823 Shares at the conversion price of HK\$0.68 per Share (subject to adjustment); and
- (k) the Provisional Agreement.

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

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

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

#### **6. DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

#### **7. LITIGATION**

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

**8. EXPERTS AND CONSENTS**

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

<b>Name</b>	<b>Qualification</b>
Jones Lang Lasalle Corporate Appraisal and Advisory Limited	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

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

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

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

**9. GENERAL**

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in 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; and
- (d) The English text of this circular prevails over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2011, 2012 and 2013;
- (c) the interim report of the Company for the six months ended 30 September 2013;
- (d) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;
- (e) the material contracts referred to the paragraph headed "Material Contracts" in this appendix;
- (f) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group as set out in Appendix III to this circular;
- (g) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV to this circular;
- (h) a copy of each circular issued pursuant to the requirement 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
- (i) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 0616)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Easyknit Enterprises Holdings Limited (永義實業集團有限公司) (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Wednesday, 18 June 2014, at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the transaction contemplated under the Provisional Agreement (as defined and detailed in the circular of the Company dated 30 May 2014, a copy of which is marked “A” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) for the acquisition of a property situated at Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK\$236,800,000 be and is hereby approved, ratified and confirmed; and
- (b) the directors of the Company be and are authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Provisional Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the directors of the Company, in the interests of the Company and its shareholders as a whole.”

By Order of the Board  
**EASYKNIT ENTERPRISES HOLDINGS LIMITED**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 May 2014

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

\* *for identification only*

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## NOTICE OF SPECIAL GENERAL MEETING

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

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

*Notes:*

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