
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you are in any doubt about this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 ("Company"), you should at once hand this Prospectus and the accompanying provisional allotment letter and the form of application for excess Rights Shares, to the purchaser or transferee, or bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

Dealing in the Shares and the Rights Shares in their nil-paid and fully-paid may be settled through the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this Prospectus, together with the provisional allotment letter and the form of application for excess Rights Shares and the written consent of Deloitte Touche Tohmatsu (referred to herein) have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this Prospectus will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.



Easyknit Enterprises Holdings Limited

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 616)

RIGHTS ISSUE OF 183,562,225 RIGHTS SHARES OF HK\$0.01 EACH AT HK\$0.35 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD

Underwriter of the Rights Issue



KINGSTON SECURITIES LTD.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain force majeure events. The Underwriter is entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (f) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than five (5) consecutive trading days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of the Underwriting clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter is also entitled by a notice in writing to rescind the Underwriting Agreement if prior to 4:00 p.m. on the Settlement Date:

- (1) any material breach of any of the Warranties comes to the knowledge of the Underwriter; or
- (2) certain specified events come to the knowledge of the Underwriter.

If prior to 4:00 p.m. on the Settlement Date any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement, save for reimbursement by the Company of the out-of-pocket expenses of immaterial sums as incurred by the Underwriter, shall terminate forthwith. If the Underwriter exercises such right, the Rights Issue will not proceed.

Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 15 February 2011 to Tuesday, 22 February 2011 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholders dealing in the Shares or nil-paid Rights Shares during the period from Tuesday, 15 February 2011 to Tuesday, 22 February 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in the nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers. The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. on Friday, 25 February 2011. The procedures for acceptance or transfer of the Rights Shares are set out on pages 14 to 15 of this Prospectus.

* For identification only

11 February 2011

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DEFINITIONS

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

“Acceptance Date and Time”	4:00 p.m. on 25 February 2011 (or such other date and time as the Underwriter may agree in writing with the Company as the latest date and time for acceptance of, and payment for, Rights Shares)
“acting in concert”	the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 5 January 2011 relating to the Rights Issue
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected persons”	the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) for application for excess Rights Shares issued to the Qualifying Shareholders in connection with the Rights Issue
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Easyknit International Group”	Easyknit International and its subsidiaries

DEFINITIONS

“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Project”	acquisition of the land of about 632 mu in area located at the west of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, PRC for the development of manufacturing production, bleaching, dyeing and knitting operations and the construction of a waste water treatment plant
“Independent Shareholders”	Shareholders other than Landmark Profits and its associates
“independent third party(ies)”	independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or their respective associates
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit International, and a 31.7% controlling shareholder of the Company
“Last Trading Day”	Tuesday, 4 January 2011, being the last trading day before the suspension of the trading in the Shares, pending the release of the Announcement
“Latest Practicable Date”	9 February 2011, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholders”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of the business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong or Bermuda

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan
“Prospectus Documents”	this Prospectus, the PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appeared on the register of members of the Company at the close of business on the Record Date
“Record Date”	10 February 2011 (the date by reference to which entitlements to the Rights Issue were determined)
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by the way of rights of one (1) Rights Share for every two (2) Shares held on the Record Date at a subscription price of HK\$0.35 per Rights Share
“Rights Share(s)”	the 183,562,225 Share(s) to be issued and allotted under the Rights Issue
“Settlement Date”	2 March 2011, being the third Business Day following the Acceptance Date and Time or such later date as the Underwriter and the Company may agree in writing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.35 per Rights Share under the Rights Issue
“subsidiary”	the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Undertaking”	the irrevocable undertaking dated 4 January 2011 from Landmark Profits to the Company and the Underwriter described in the section headed “Undertaking from Landmark Profits” in this Prospectus
“Underwriter”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 4 January 2011 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares other than the Rights Shares provisionally allotted to and to be accepted by Landmark Profits pursuant to the Undertaking
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Number of Rights Shares to be issued:	183,562,225 Rights Shares
Amount to be raised:	approximately HK\$64.2 million before expenses, and approximately HK\$62.4 million after expenses
Subscription price:	HK\$0.35 per Rights Share payable in full on acceptance
Latest time for acceptance:	4:00 p.m. on Friday, 25 February 2011
Basis of the Rights Issue:	one (1) Rights Share for every two (2) Shares held on the Record Date
Right of excess applications:	Qualifying Shareholders have the right to apply for Rights Shares in excess of their provisional allotments

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter is entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (f) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than five (5) consecutive trading days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of the Underwriting clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (3) the Prospectus contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter is also entitled by a notice in writing to rescind the Underwriting Agreement if prior to 4:00 p.m. on the Settlement Date:

- (1) any material breach of any of the Warranties comes to the knowledge of the Underwriter;
or
- (2) certain specified events come to the knowledge of the Underwriter.

If prior to 4:00 p.m. on the Settlement Date any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement, save for reimbursement by the Company of the out-of-pocket expenses of immaterial sum as incurred by the Underwriter, shall terminate forthwith. If the Underwriter exercises such right, the Rights Issue will not proceed.

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The timetable is subject to change in accordance with the agreement between the Company and the Underwriter. The Company will notify the Shareholders of any changes to the expected timetable as and when appropriate.

First day of dealings in nil-paid Rights Shares	Tuesday, 15 February 2011
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Thursday, 17 February 2011
Last day of dealings in nil-paid Rights Shares	Tuesday, 22 February 2011
Latest time for acceptance of the Rights Issue as well as application for excess Rights Shares and payment of consideration thereof	4:00 p.m. on Friday, 25 February 2011
Latest time for Rights Issue and Underwriting Agreement to become unconditional	4:00 p.m. on Wednesday, 2 March 2011
Announcement of results of acceptance and excess applications of the Rights Issue	Thursday, 3 March 2011
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Friday, 4 March 2011
Despatch of certificates for fully-paid Rights Shares	Friday, 4 March 2011
First day of dealings in fully-paid Rights Shares	Tuesday, 8 March 2011

Dates or deadlines specified for events in this timetable for (or otherwise in relation to) the Rights Issue refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares will be changed if there is:

- a tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares is not the Acceptance Date and Time, the dates mentioned in the “Expected Timetable” in this section may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



Easyknit Enterprises Holdings Limited

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 616)

Executive Directors:

Mr. Kwong Jimmy Cheung Tim
(Chairman & 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 Director:

Mr. Tse Wing Chiu, Ricky

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

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

11 February 2011

*To the Qualifying Shareholders and,
for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 183,562,225 RIGHTS SHARES
OF HK\$0.01 EACH AT HK\$0.35 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO SHARES HELD**

INTRODUCTION

On 5 January 2011, the Company announced that it proposes to raise approximately HK\$64.2 million before expenses by way of the rights issue of 183,562,225 Rights Shares at a subscription price of HK\$0.35 per Rights Share on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date. As at the Latest Practicable Date, the Company had 367,124,450 Shares in issue. The Company has no outstanding options, warrants, or other securities convertible into or giving rights to subscribe for Shares.

* *For identification only*

LETTER FROM THE BOARD

The Rights Issue is fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. Further details of the underwriting arrangement are set out in the paragraphs headed “Underwriting arrangement and Underwriting Agreement dated 4 January 2011”. The purpose of this Prospectus is to provide you with details of the Rights Issue, including information on dealings in and transfer of the Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares, and certain financial information of the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every two (2) Shares held on the Record Date
Number of Shares in issue	:	367,124,450 Shares as at the Latest Practicable Date
Number of Rights Shares	:	183,562,225 Rights Shares
Subscription price per Rights Share	:	HK\$0.35
Price Per Rights Share to be received by the Company net of expenses	:	approximately HK\$0.34

The aggregate number of Rights Shares to be issued represents 50% of the Company’s existing issued share capital and 33.33% of the Company’s enlarged issued share capital immediately following the completion of the Rights Issue. As at the Latest Practicable Date, the Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Qualifying Shareholders

The Company is sending the Prospectus Documents to the Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, an investor must be a Qualifying Shareholder.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, on application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. Such Subscription Price represents:

	<i>HK\$</i>	Premium / (Discount) <i>(%)</i>
<i>Subscription Price</i>	0.35	
(a) Closing price per Share quoted on the Stock Exchange on the Latest Practicable Date	0.420	(16.7)
(b) Closing price per Share quoted on the Stock Exchange on the Last Trading Day	0.530	(34.0)
(c) Theoretical ex-rights price calculated based on the closing price per Share quoted on the Stock Exchange on the Last Trading Day	0.470	(25.5)
(d) Average closing price per Share for the last 5 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.526	(33.5)
(e) Average closing price per Share for the last 10 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.522	(33.0)
(f) Net asset value per Share based on the unaudited net asset value of the Group of approximately HK\$509,856,000 as at 30 September 2010 as stated in the interim report of the Company for the six months ended 30 September 2010 and 367,124,450 Shares in issue at the Latest Practicable Date	1.389	(74.8)

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to recent market prices of the Shares. The Directors note the discounts set out above. However, taking into consideration the benefits of the Rights Issue as discussed below in the paragraph headed "Reasons for the Rights Issue and use of proceeds", the Directors consider the terms of the Rights Issue, including the Subscription Price, and the underwriting commission, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of provisional allotment is one (1) Rights Share for every two (2) Shares held on the Record Date, being 183,562,225 Rights Shares, at the subscription price of HK\$0.35 per Right Share. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, one share certificate for all their fully-paid Rights Shares are expected to be posted on or before Friday, 4 March 2011 to those who have accepted or (where applicable) applied for, and paid for the Rights Shares, by ordinary post at their own risk.

LETTER FROM THE BOARD

Refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Friday, 4 March 2011 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Fractions of Rights Shares

Fractional entitlements, if any, to Rights Shares will not be allotted or issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company. Any unsold Rights Shares arising out of the aggregation of fractions of Rights Shares will be available for excess application on EAFs by Qualifying Shareholders.

Shareholders with registered addresses outside Hong Kong or Bermuda

No person receiving this Prospectus or the PAL or the EAF in any territory outside Hong Kong or Bermuda may treat it as an offer or invitation to take up Rights Shares or apply for excess Rights Shares, except in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of persons outside Hong Kong or Bermuda wishing to take up or make an application for Rights Shares to satisfy themselves, before accepting any provisional allotment of Rights Shares or applying for excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith without prejudice to the foregoing. The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that doing so would or may violate applicable securities legislations or other laws or regulations of any jurisdiction.

Based on the register of members of the Company as at the Latest Practicable Date, there was 1 Shareholder with a registered address in Malaysia, and 5 Shareholders with registered addresses in Macau.

Based on a legal opinion obtained from the Company's legal advisers in Malaysia, the offering of the Rights Shares to the Overseas Shareholders in Malaysia is not prohibited under applicable Malaysian laws but is subject to certain requirements involving the lodging of the Prospectus Documents with the relevant authorities. Accordingly, the Prospectus Documents will be filed with the Securities Commission of Malaysia. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholder with a registered address in Malaysia.

LETTER FROM THE BOARD

The Company has also been advised by its legal advisers on the laws of Macau that there is no legal restriction under the applicable legislation of Macau or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in Macau. In view of this, the Directors have also decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau.

Such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong or Bermuda, are Qualifying Shareholders.

For the purposes of the Rights Issue, the Company therefore did not, as at the Latest Practicable Date, have any Non-Qualifying Shareholders.

Procedure for acceptance or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualifying Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Friday, 25 February 2011. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Easyknit Enterprises Holdings Limited — Rights Issue Account**" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Friday, 25 February 2011, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL.

The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that in doing so would or may violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Thursday, 17 February 2011 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to their registered addresses at the risk of such applicants on or before Friday, 4 March 2011.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Qualifying Shareholders who wish to apply for any Rights Shares in addition to their provisional allotment must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Friday, 25 February 2011. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, and cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “**Easyknit Enterprises Holdings Limited — Excess Application Account**” and crossed “Account Payee Only”. The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which allotments will be at the discretion of the Directors on a fair and equitable basis. The Directors will allocate the excess Rights Shares at their discretion with reference to the level of acceptances of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and
- (ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied by them, with board lots allocation to be made on best efforts basis.

Investors with their Shares held by nominee(s) should note that the nominee is a single Shareholder for the purposes of the Rights Issue. Accordingly, investors whose Shares are registered in the names of nominees should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares on the basis of the top-up arrangement will not be extended to beneficial owners individually.

The latest time for acceptance of Rights Shares and the application for excess Rights Shares as well as respective payment thereof is expected to be at 4:00 p.m. on Friday, 25 February 2011, or such later date or time as may be agreed between the Company and the Underwriter.

If no excess Rights Shares are allotted to an applicant for excess Rights Shares or the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before

LETTER FROM THE BOARD

4:00 p.m. on the Settlement Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to the registered addresses at the risk of such applicants on or before Friday, 4 March 2011.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listings of, and permission to deal on the Stock Exchange in the Rights Shares, in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil paid form will commence on Tuesday, 15 February 2011 and will end on Tuesday, 22 February 2011, both days inclusive.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both of which will be traded in board lots of 2,000, registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue was conditional upon each of the following:

1. the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required by law to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance, the Companies Act and the Listing Rules;
2. the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
3. compliance by the Company with certain obligations under the Underwriting Agreement;
4. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms prior to commencement of dealings of the Rights Shares in nil-paid form, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;
5. if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares;
6. the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason; and
7. delivery by the Company to the Underwriter of the Undertaking duly executed by Landmark Profits and fulfillment by Landmark Profits of all its obligations under the Undertaking.

Conditions 1, 2, and 3 have been satisfied.

In the event that the conditions 4 to 7 (other than conditions 4 and 5 which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before 4:00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the Company and the Underwriter shall cease and determine and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by the Company) and the irrevocable undertaking by Landmark Profits to accept its entitlement under the Rights Issue will lapse and the Rights Issue will not proceed.

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Underwriting arrangement and Underwriting Agreement dated 4 January 2011

The Underwriter has agreed to fully underwrite 125,364,563 Rights Shares (being all the 183,562,225 Rights Shares under the Rights Issue less the 58,197,662 Rights Shares provisionally allotted to Landmark Profits, and which Landmark Profits has undertaken to accept). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. As at the Latest Practicable Date, the Underwriter was interested in 300 Shares.

Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Underwritten Shares:

- (i) the Underwriter is obliged to subscribe or procure subscribers for all Underwritten Shares; and
- (ii) the Underwriter shall use its reasonable endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates and concert parties; and (2) any subscribers procured by it shall not, together with any party acting in concert with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue.

In addition, the Underwriter has confirmed that it will procure, on a reasonable endeavours basis, that neither itself, nor the sub-underwriters will (together with any parties acting in concert with them) hold 10% or more of the voting rights of the Company upon the completion of the Rights Issue. The Underwriting Agreement imposes a “reasonable endeavours” obligation relating to the percentages to be taken up by the Underwriter and individual subscribers in the underwriting as described above. Notwithstanding, the Underwriter has the overriding obligation to underwrite all the Rights Shares.

The Underwriter has confirmed with the Company that it has procured independent third parties to take up such number of Underwritten Shares not taken up by Shareholders or transferees of provisional allotments sufficient to enable the Underwriter to fulfill its above reasonable endeavours obligation.

Commission

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it, out of which the Underwriter will or may pay any sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

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Undertaking from Landmark Profits

As at the Latest Practicable Date, Easyknit International, through Landmark Profits, was interested in 116,395,325 Shares, representing approximately 31.7% of the total issued share capital of the Company. Landmark Profits has irrevocably undertaken to the Company and the Underwriter that the Rights Shares to be allotted in respect of those Shares will be taken up in full, representing 58,197,662 Rights Shares. Landmark Profits will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

The Underwriter is entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (f) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than five (5) consecutive trading days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

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- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of the Underwriting clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter is also entitled by a notice in writing to rescind the Underwriting Agreement if prior to 4:00 p.m. on the Settlement Date:

- (1) any material breach of any of the Warranties comes to the knowledge of the Underwriter; or
- (2) certain specified events come to the knowledge of the Underwriter.

If prior to 4:00 p.m. on the Settlement Date any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement, save for reimbursement by the Company of the out-of-pocket expenses of immaterial sum as incurred by the Underwriter, shall terminate forthwith. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 15 February 2011 to Tuesday, 22 February 2011 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Tuesday, 15 February 2011 to Tuesday, 22 February 2011 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional and may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

On 1 March 2010, the Group entered into an agreement with the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the People's Republic of China to sell its

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lands in Huzhou for approximately HK\$88.7 million, comprising consideration for the lands of approximately HK\$55.1 million, reimbursement of deposit of approximately HK\$18.3 million together with accrued interest of approximately HK\$8.8 million for the construction of a sewage treatment system and compensation of approximately HK\$6.5 million for expenses incurred by the Group for the Huzhou Project. As at 30 September 2010, the Group had received an aggregate of HK\$17.4 million of the aforesaid sum and it expects to receive the remaining HK\$71.3 million by 28 February 2011. The sale was due to an alteration of the plans of the Huzhou Project resulting from the discussion with the Zhili Town Government.

As stated in the Company's 2010 Interim Report, following the aforesaid sale, the Company had ceased its knitting, bleaching and dyeing manufacturing operations. It will focus on the business of garment sourcing and exporting, and investment in real properties. The Company further announced on 31 December 2010 that it plans to invest in hotels and serviced apartments. The Company is in the process of seeking potential investment opportunities although it currently has not identified any specific acquisition target. The gross proceeds of the Rights Issue will be approximately HK\$64.2 million. The estimated expenses of the Rights Issue amount to approximately HK\$1.8 million and will be borne by the Company. The estimated net proceeds of the Rights Issue will therefore be approximately HK\$62.4 million. The Company intends to use the proceeds of the Rights Issue in or towards the finance of its investments in the hotels and serviced apartments projects.

Given their perception that the real estate market in the PRC and Hong Kong is a potentially lucrative investment sector in the medium to long term, notwithstanding occasional "cooling" measures taken by government authorities, and the increasing wealth of the PRC which is likely to help the hotel and serviced apartment sector prosper, the Directors believe that the time is ripe for investment in that sector.

The Company does not at present have the human resources and experience necessary for itself to construct hotels and serviced apartments or to operate them. Therefore, it is likely at least initially for the Group to seek to acquire existing premises rather than building them itself, and to appoint professional manager rather than the Group's existing staff to operate the hotels and serviced apartments it may acquire. Notwithstanding, investment opportunities in hotels and serviced apartments will be considered on their own merits.

The Directors are of the view that given the competitive nature of negotiations and bidding for hotels and serviced apartments projects, it is important that the Group has ready access to significant financial resources to maintain a competitive advantage. A stronger capital base also facilitates negotiations with lenders if and when the Group decides to seek commercial loans. As the price of hotels and serviced apartments is related to many variables such as their location, size and degree of luxury, it is impossible to disclose exactly how much the Company will have to spend to acquire any hotels and serviced apartments until specific targets are identified, but the Board believes that the Company's cash reserves and the proceeds of the Rights Issue (with or without funds obtained elsewhere) will be sufficient for it to make a meaningful investment in the sector and the size of the Rights Issue was determined with that objective in mind. Notwithstanding, depending on the size of the projects when the Company's plan materialises, the Group may consider further fund raising by way of borrowing from financial institutions, issuance of debt or equity securities or a combination of those methods, to supplement the Group's existing financial resources, and the proceeds from the sale of lands in Huzhou and the Rights Issue.

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The Directors have for a long time adopted a conservative approach in managing the Group's gearing, where capital requirements of the Group were mainly met by equity or equity-linked fund raising. As at 31 December 2010, the Group had no outstanding borrowings. The Company will only raise funds for projects identified as being attractive to the Company. In considering the way of future fund raising, the Board will remain mindful of its duty to act in what it believes in good faith in the interests of the Shareholders as a whole and will not raise debt or equity if it does not believe that to be in the interests of the Shareholders as a whole.

If the Company is unable to acquire any hotels and serviced apartments within a time considered by the Board to be reasonable taking into account evolving circumstances, it will consider alternative uses for the proceeds of the Rights Issue and make an announcement at the appropriate time.

At present the Board does not intend to discontinue the Group's existing businesses but the Board will continue to keep all of the Group's operations under review and adjust its business if that appears to be in the interests of Shareholders.

SHAREHOLDING OF THE COMPANY

The shareholdings in the Company (i) as at the Record Date; (ii) after the completion of the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market; and (iii) after the completion of the Rights Issue assuming only Landmark Profits takes up its provisional allotment of Rights Shares are and will be as follows:

	As at the Record Date		After completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market)		After completion of the Rights Issue (assuming only Landmark Profits takes up its Right Shares) (Note)		After completion of the Rights Issue (assuming Landmark Profits takes up its Rights Shares and the Underwriter subscribes for the Underwritten Shares not exceeding 10% of voting rights of the Company) (Note)	
	Shares	%	Shares	%	Shares	%	Shares	%
Landmark Profits	116,395,325	31.7	174,592,987	31.7	174,592,987	31.7	174,592,987	31.7
Public	250,728,825	68.3	376,093,238	68.3	250,728,825	45.5	321,025,021	58.4
Underwriter	300	0.0	450	0.0	125,364,863	22.8	55,068,667	9.9
Total	367,124,450	100.0	550,686,675	100.0	550,686,675	100.0	550,686,675	100.00

Note:

These scenarios are for illustrative purpose only.

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Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Underwritten Shares:

- (i) the Underwriter is obliged to subscribe or procure subscribers for all Underwritten Shares; and
- (ii) the Underwriter shall use its reasonable endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates and concert parties; and (2) any subscribers procured by it shall not, together with any party acting in concert with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue.

The Underwriter has also confirmed that it will procure, on a reasonable endeavours basis, that neither itself, nor the sub-underwriters will (together with any parties acting in concert with them) hold 10% or more of the voting rights of the Company upon the completion of the Rights Issue.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

During the six months ended 30 September 2010, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

Garment Sourcing and Exporting

The Group acquired this business segment from subsidiaries of Easyknit International Holdings Limited in March 2010. During the period under review, turnover from this segment amounted to approximately HK\$198,552,000 (six months ended 30 September 2009: nil). It constituted an approximately 98.7% of the Group's turnover. Profit gained from this segment was approximately HK\$4,660,000. The product mix of infants wear and ladies wear for the six month ended 30 September 2010 was 35.8 : 33.6 . The largest customer of this business segment represented almost 86.1% of the garment sourcing and exporting turnover for the period under review.

Property Investment

During the six months ended 30 September 2010, rental generated from the two properties of the Group located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong was approximately HK\$1,680,000. As the two properties were acquired in the middle of September 2009, only one half month's rental of approximately HK\$122,000 was recorded for the six months ended 30 September 2009. As a result of a change in the original investment plan in Huzhou, the PRC (for details, please refer to the Company's announcements dated 24 February 2009 and 1 March 2010), the Board decided to increase revenue by leasing out the Huzhou factory premises to local manufacturers. During the six months ended 30 September 2010, the Group recorded rental of approximately HK\$872,000 from the leasing of the Huzhou factory premises (six months ended 30 September 2009 : nil).

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The market values of the Group's two investment properties in Hong Kong as at 30 September 2010 were estimated by a professional valuer at approximately HK\$108,000,000, an increase of approximately HK\$9,000,000 as compared to the value on 31 March 2010. The appraised value of the Huzhou factory premises was approximately HK\$163,168,000, an increase of approximately HK\$7,005,000 as compared to the value on 31 March 2010.

Development of the Huzhou Project

Two blocks of factory premises and four blocks of workers' quarters have been completed on the land intended for garment manufacturing operation in Huzhou. An announcement was published by the Company on 24 February 2009 concerning the Group having been advised by the Zhili Town Government of the PRC by a letter dated 6 February 2009 that the plans for the Huzhou Project had to be changed due to deterioration of the environment along the Taihu Lake area in the recent two years. The Zhili Town Government had agreed to repurchase the land intended for knitting, bleaching and dyeing operations of the Huzhou Project at a profit to the Group and also to repay the refundable deposit to the Group.

As announced by the Company on 1 March 2010, two wholly-owned subsidiaries of the Company, as the sellers, have entered into sale and purchase agreement with the Zhili Town Government, as the purchaser, for the disposal of the three pieces of land forming part of the site of an aggregate area of approximately 303 mu (equivalent to approximately 202,000 sq. m.) situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the South of Hengtang Harbour, PRC. The two disposals were approved by the shareholders of the Company at a special general meeting held on 23 April 2010. Details of the two disposals were set out in the Company's circular dated 31 March 2010. The Zhili Town Government has now paid RMB15,000,000 and has undertaken to pay the balance before 28 February 2011.

Discontinued businesses

During the period, the Group ceased the bleaching, dyeing and knitting businesses and sold all its manufacturing equipment. All outstanding orders were fulfilled by subcontracting out to third party manufacturers. The cessation helps to improve the Group's financial position and enables the Group to focus on more profitable businesses.

Geographical Analysis of Turnover

During the period, the turnover from the garment sourcing and exporting business was mainly derived from customers in the United States of America. Rental income from investment properties were derived from properties located in Hong Kong and PRC.

Event after the publication of profit warning announcement dated 5 November 2010

On 5 November 2010, the Company published a profit warning announcement to advise shareholders that the interim results of the Group for the six months ended 30 September 2010 were expected to record a profit due to, among others, compensation from the Zhili Town Government for its failure to implement the Huzhou Project as planned and profit on disposal of lands in Huzhou.

LETTER FROM THE BOARD

However, after discussion with the Company's auditors, the Board decided the profits should not be recognised in the accounts for the six months ended 30 September 2010. The Board considered that it would be more appropriate to recognise the profits after receipt of all the money from the Zhili Town Government. The Board is confident that the money will be received by or on 28 February 2011.

Prospects

The Board has ceased its knitting, bleaching and dyeing manufacturing operations and changed to garment sourcing and exporting and investment in real properties.

As regards the Huzhou Project, the Board together with the Zhili Town Government is looking at other options for the use of the land marked for garment manufacturing operations. As a first step, the Zhili Town Government has agreed that the Group can finish the building of two factory blocks for leasing purposes.

The Group's major target market for the garment sourcing and exporting businesses will remain the United States of America and Europe, which are relatively mature and where the customer demand in the long run is expected to be relatively stable notwithstanding any short term fluctuations. The Board will continue to keep its focus in the trading of garments, areas in which the Group has expertise. The Board will strengthen the business relationship with existing customers and look for opportunity to expand its customer base.

The local property market has been rising in the past year. Hong Kong remains one of the most attractive markets for property investment. The Board intends to retain the two properties held for investment purpose and constantly look for other opportunities to maximise shareholders' returns.

As disclosed in the announcement of the Company dated 31 December 2010 in relation to the Group's new business direction, the Company is exploring investment opportunities in hotels and serviced apartments projects. Notwithstanding, the Company currently has not identified any specific acquisition target.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (as amended) (and regulations made thereunder) has been granted by the Bermuda Monetary Authority in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to IV to this Prospectus.

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

1. DIRECTORS**Particulars of Directors****Name****Address****Executive Directors**

Kwong Jimmy Cheung Tim
Flat D, 16th Floor, Tower 4
Hong Kong Gold Coast
Tuen Mun
New Territories
Hong Kong

Lui Yuk Chu
No. 7, Braga Circuit
Kowloon
Hong Kong

Koon Ho Yan, Candy
No. 7, Braga Circuit
Kowloon
Hong Kong

Non-executive Director

Tse Wing Chiu, Ricky
House D6
Flamingo Garden
No. 7, Fei Wan Road
Fei Ngo Shan
New Territories
Hong Kong

Independent Non-executive Directors

Kan Ka Hon
Unit GB, No.11 La Serene
Discovery Bay
New Territories
Hong Kong

Lau Sin Ming
Flat D, 4th Floor
Wah Shing Building
19 Castle Peak Road
Kowloon
Hong Kong

Foo Tak Ching
Flat A, 11th Floor
Skyline Mansion
51 Conduit Road
Hong Kong

Executive Directors***Mr. Kwong Jimmy Cheung Tim (Chairman and Chief Executive Officer)***

Mr. Kwong, aged 67, is an executive Director, Chairman, and Chief Executive Officer and authorised representative of the Company and Chairman of the Executive Committee of the Board. He is also an executive director, President, Chief Executive Officer and authorised representative, and Chairman of the Executive Committee of the board of directors of Easyknit International. Mr. Kwong graduated from the University of Hong Kong in 1965 and was admitted as a Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as executive director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive Director in April 2003, and was subsequently re-designated as an executive Director in April 2007. On 18 December 2007, Mr. Kwong was appointed as Chairman and Chief Executive Officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 53, is an executive Director and Deputy Chairman of the Company and a member of the Executive Committee of the Board. She is also an executive director and Vice President, and a member of the Executive Committee of the board of directors of Easyknit International. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as executive director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in March 2003 and was appointed as Deputy Chairman of the Company on 20 January 2006. She is the mother of Ms. Koon Ho Yan, Candy, an executive Director of the Company.

Ms. Koon Ho Yan, Candy

Ms. Koon, aged 26, is an executive Director of the Company and a member of the Executive Committee of the Board. She graduated from the University of Durham, England in 2007 with a Bachelor of Arts degree in Economics and Politics. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director and a member of the executive committee of the board of directors of Easyknit International. Ms. Koon was appointed to the Board as an executive Director in May 2010. Ms. Koon is the daughter of Ms. Lui Yuk Chu, the Deputy Chairman of the Company.

Non-executive Director***Mr. Tse Wing Chiu, Ricky***

Mr. Tse, aged 52 is a non-executive Director of the Company. He is also a non-executive director of Easyknit International. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has more than 30 years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive

Director and Vice Chairman in November 2005, and was subsequently re-designated from Vice Chairman to Chairman and appointed as Chief Executive Officer in January 2006. On 18 December 2007, Mr. Tse was re-designated from an executive Director to a non-executive Director and resigned as Chairman and Chief Executive Officer of the Company.

Independent Non-executive Directors

Mr. Kan Ka Hon

Mr. Kan, aged 59, is a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He holds a Bachelor's Degree in Science from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited. Mr. Kan was appointed to the Board in April 2003.

Mr. Lau Sin Ming

Mr. Lau, aged 49, is a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 28 years of experience in accounting and auditing. Mr. Lau was appointed to the Board in September 2004.

Mr. Foo Tak Ching

Mr. Foo, aged 76, is a member of the Audit Committee and Remuneration Committee of the Board. He is currently a Partner of Messrs. Liu, Choi & Chan, a firm of solicitors and notaries in Hong Kong and has been practicing in the legal field for more than 30 years. He obtained his LLB from the University of London in the United Kingdom in 1968 and his diploma in Chinese Laws from the University of East Asia in Macau in 1987. Mr. Foo was admitted as a solicitor in England and Wales in 1972 and in Hong Kong in 1973 and admitted as a barrister and solicitor in the State of Victoria, Australia in 1982. He is a Notary Public and a China Appointed Attesting Officer. Mr. Foo was appointed to the Board in April 2007.

2. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business	7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Chan Po Cheung FCPA, FCCA, ACA
Authorised representatives	Kwong Jimmy Cheung Tim Chan Po Cheung
Legal advisers to the Company	<i>On Bermuda law:</i> Appleby 2206-19 Jardine House 1 Connaught Place, Central Hong Kong
Auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal share registrar and transfer office in Bermuda	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda

Principal bankers	<p>The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong</p> <p>Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong</p>
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3. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are expected to be as follows:

Authorised:

<u>20,000,000,000</u>	Shares	<u>HK\$200,000,000.00</u>
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Issued and fully-paid:

367,124,450	Shares in issue	HK\$3,671,244.50
<u>183,562,225</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>HK\$1,835,622.25</u>
<u>550,686,675</u>	Shares in issue immediately following the Rights Issue	<u>HK\$5,506,866.75</u>

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Rights Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank *pari passu* in all respects with the Shares then in issue including as to the right to receive dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed herein, no share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

The Company has no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The financial information of the Group for each of the three years ended 31 March 2008, 31 March 2009 and 31 March 2010 is disclosed in the annual reports of the Company for the years ended 31 March 2008, 2009 and 2010 respectively. The unaudited financial information of the Group for the six months ended 30 September 2010 is disclosed in the interim report of the Company for the six months ended 30 September 2010. The said annual reports and interim report of the Company are available on the Company's website at www.easyknitenterp.com and the website of the Stock Exchange at www.hkexnews.hk.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available to the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this Prospectus in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 31 December 2010, being the latest practicable date for ascertaining this indebtedness prior to the printing of this Prospectus, the Group had no outstanding borrowings. Its available banking facilities were guaranteed by the Company.

Apart from intra-group liabilities, the Group did not have any loan capital 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.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2010. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group as at 30 September 2010 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2010 and is adjusted for the effect of the Rights Issue.

Unaudited consolidated net tangible assets of the Group as at 30 September 2010 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share as adjusted for the Rights Issue <i>(Note 3)</i> <i>HK\$</i>
<u>447,366</u>	<u>62,447</u>	<u>509,813</u>	<u>0.926</u>

Notes:

1. The unaudited consolidated net tangible assets of the Group as at 30 September 2010 is based on the net assets of the Group amounting to HK\$509,856,000 extracted from the published interim report of the Group for the six months ended 30 September 2010, and deducting goodwill and intangible asset with an aggregate amount of HK\$62,490,000.

2. The estimated net proceeds from the Rights Issue are based on 183,562,225 Rights Shares of HK\$0.01 each at HK\$0.35 per Rights Share, after deducting the estimated underwriting fees and other related expenses of approximately HK\$1.8 million to be incurred by the Company.

3. The number of Shares used for the calculation of this amount is 550,686,675 which will be the total number of Shares expected to be in issue after the Rights Issue representing the existing 367,124,450 Shares in issue as at the Latest Practicable Date and 183,562,225 Rights Shares.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants.

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 report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Easyknit Enterprises Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of 183,562,225 rights shares of HK\$0.01 each at HK\$0.35 per rights share on the basis of one rights share for every two shares held might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section 1 of Appendix III to the prospectus of the Company dated 11 February 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Section 1 of Appendix III to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 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" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets 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 unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2010 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company 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 unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 February 2011

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company 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 (i) to be notified to the Company and the Stock Exchange pursuant to the provision of Division 7 and 8 of Part XV of the SFO (including interests or the short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in Shares

Name of Director	Capacity	Number of issued Shares held (long positions)	Approximate percentage of interest
Ms. Lui Yuk Chu	(Note i)	116,395,325	31.70%
Ms. Koon Ho Yan, Candy (Note ii)	Beneficiary of a trust	116,395,325	31.70%

Note:

- (i) These shares were registered in the name of and were beneficially owned by Landmark Profits which is a wholly-owned subsidiary of Easyknit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International 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 Easyknit International and it is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) 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.

(b) Interests in unissued Shares

Name of Director	Capacity	Number of unissued Shares held (long positions)
Ms. Lui Yuk Chu	<i>(Note iii)</i>	58,197,662
Ms. Koon Ho Yan, Candy <i>(Note iv)</i>	Beneficiary of a trust	58,197,662

Note:

- (iii) These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits is a wholly-owned subsidiary of Easyknit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International 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 Easyknit International. Magical Profits Limited 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).
- (iv) Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a Director, was deemed to be interested in the Rights 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 and their respective associates had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the 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.

At the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2010 (being the date to which the latest published audited accounts of the Company 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.

Save as disclosed in the section headed “Material Contracts” in this appendix, none of the Directors were materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. DISCLOSURE OF INTEREST BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the following persons (“Substantial Shareholders”) (other than the Directors and the chief executive of the Company) had following interests or a short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provision of Division 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:

(a) Interests in issued Shares

Name of Shareholder	Nature of Interest	Number of issued Shares held (long position)	Approximate percentage of interest
Koon Wing Yee (<i>note i</i>)	Interest of spouse	116,395,325	31.70%
Landmark Profits (<i>notes i and ii</i>)	Beneficial owner	116,395,325	31.70%
Easyknit International (<i>notes i and ii</i>)	Interest of controlled corporation	116,395,325	31.70%
Magical Profits Limited (<i>notes i and iii</i>)	Interest of controlled corporation	116,395,325	31.70%
Accumulate More Profits Limited (<i>note i</i>)	Interest of controlled corporation	116,395,325	31.70%
Hang Seng Bank Trustee International Limited (<i>notes i & iv</i>)	Trustee	116,395,325	31.70%
Hang Seng Bank Limited (<i>note iv</i>)	Interest of controlled corporation	116,395,325	31.70%
The Hongkong and Shanghai Banking Corporation Limited (<i>note iv and v</i>)	Interest of controlled corporation	116,395,326	31.70%
HSBC Asia Holdings BV (<i>note v</i>)	Interest of controlled corporation	116,395,326	31.70%
HSBC Asia Holdings (UK) (<i>note v</i>)	Interest of controlled corporation	116,395,326	31.70%
HSBC Holdings BV (<i>note v</i>)	Interest of controlled corporation	116,395,326	31.70%
HSBC Finance (Netherlands) (<i>note v</i>)	Interest of controlled corporation	116,395,326	31.70%
HSBC Holdings plc (<i>note v</i>)	Interest of controlled corporation	116,395,326	31.70%
Daswani Rajkumar Murlidhar	Beneficial owner	100,915,143	27.48%
Park Jong Yong	Beneficial owner	41,183,470	11.21%

Notes:

- (i) The 116,395,325 Shares relate to the same block of Shares in the Company. These Shares were registered in the name of and were beneficially owned by Landmark Profits, which was a wholly-owned subsidiary of Easykmit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easykmit International 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 Easykmit International. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, 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 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 116,395,325 shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors, are also directors of Landmark Profits and Easykmit International. Ms. Koon Ho Yan, Candy, being a Director, is also a director of Easykmit International.
- (iii) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited and Sea Rejoice Limited.
- (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 & Shanghai Banking Corporation Limited.
- (v) The 116,395,326 Shares relate to the same block of Shares. Out of 116,395,326 Shares, 116,395,325 Shares are registered in the name of and beneficially owned by Landmark Profits. The remaining one Share is held by HSBC Broking Securities (Asia) Limited, which is a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn is wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong & Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

(b) Interests in unissued Shares

Name of Shareholder	Nature of Interest	Number of unissued Shares held (long position)
Koon Wing Yee (<i>note i</i>)	Interest of spouse	58,197,662
Landmark Profits (<i>notes i and ii</i>)	Beneficial owner	58,197,662
Easyknit International (<i>notes i and ii</i>)	Interest of controlled corporation	58,197,662
Magical Profits Limited (<i>notes i and iii</i>)	Interest of controlled corporation	58,197,662
Accumulate More Profits Limited (<i>note i</i>)	Interest of controlled corporation	58,197,662
Hang Seng Bank Trustee International Limited (<i>notes i & iv</i>)	Trustee	58,197,662
Hang Seng Bank Limited (<i>note iv</i>)	Interest of controlled corporation	58,197,662
The Hongkong and Shanghai Banking Corporation Limited (<i>note iv</i>)	Interest of controlled corporation	58,197,662
HSBC Asia Holdings BV (<i>note iv</i>)	Interest of controlled corporation	58,197,662
HSBC Asia Holdings (UK) (<i>note iv</i>)	Interest of controlled corporation	58,197,662
HSBC Holdings BV (<i>note iv</i>)	Interest of controlled corporation	58,197,662
HSBC Finance (Netherlands) (<i>note iv</i>)	Interest of controlled corporation	58,197,662
HSBC Holdings plc (<i>note iv</i>)	Interest of controlled corporation	58,197,662
Kingston Securities Limited (<i>note v</i>)	Other	125,364,863
Galaxy Sky Investments Limited (<i>note v</i>)	Interest of controlled corporation	125,364,863
Kingston Capital Asia Limited (<i>note v</i>)	Interest of controlled corporation	125,364,863
Active Dynamic Limited (<i>note v</i>)	Interest of controlled corporation	125,364,863
Chu Yuet Wah (<i>note v</i>)	Interest of controlled corporation	125,364,863

Notes:

- (i) These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits is a wholly-owned subsidiary of Easyknit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International and it is wholly-owned by Mr. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit

International. Magical Profits Limited 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, and her family members other than her spouse). Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a Director, was deemed to be interested in the 58,197,662 unissued Shares by virtue of her capacity as one of the beneficiary of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 58,197,662 unissued Shares by virtue of the SFO.

- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors, are also directors of Landmark Profits and Easyknit International. Ms. Koon Ho Yan, Candy, being a Director, is also a director of Easyknit International.
- (iii) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited and Sea Rejoice Limited.
- (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 & Shanghai Banking Corporation Limited. The Hongkong & Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.
- (v) Out of 125,364,863 Shares, 125,364,563 Shares were the Underwritten Shares in respect of the Rights Issue. The Underwriter was interested in the remaining 300 Shares. Kingston Securities Limited is wholly-owned by Galaxy Sky Investments Limited which in turn is wholly-owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is 80% owned by Active Dynamic Limited which in turn is wholly-owned by Chu Yuet Wah.

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 are, 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.

4. DIRECTORS' SERVICE CONTRACTS

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

5. 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 claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited accounts of the Group were made up.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy, the executive Directors of the Company, also serve as executive directors of Easyknit International, which is in turn indirectly interested in approximately 31.70% of the issued share capital of the Company. Mr. Tse Wing Chiu Ricky, the non-executive Director of the Company, is also a non-executive director of Easyknit International. To the best of the Directors' knowledge, none of the Directors and their respective associates are considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group and/or the Easyknit International Group.

The Group commenced its property investment business in September 2009, Easyknit International Group is also carrying on property investment and development businesses. The Directors consider that the property investment and development businesses conducted by the Easyknit International Group do not materially compete with the property investment business of the Group as the Group invests in individual property units for rental income, and proposes to invest in hotel and service apartment projects for investment purposes, whereas the Easyknit International Group engages in larger scale property investment and development projects.

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company or any expert named in this Prospectus had any direct or indirect interest in any asset which had been, since 31 March 2010, 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.

9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the formal agreement for sale and purchase dated 19 June 2009 entered into between Clever Wise Holdings Limited and Max Palace Corporation Limited in relation to the sale and purchase of a property at Johnston Road, Hong Kong;

- (b) an agreement dated 29 June 2009 entered into between Power Bright Investments Limited and Mr. Li Ming Hung for the sale and purchase of the entire issued share capital of Chancemore Limited and the assignment of the shareholder's loan of Chancemore Limited;
- (c) an agreement dated 29 June 2009 entered into between Power Bright Investments Limited and Mr. Li Ming Hung for the sale and purchase of the entire issued share capital of Clever Wise Holdings Limited and the assignment of the shareholder's loan of Clever Wise Holdings Limited;
- (d) the formal agreement for sale and purchase dated 3 September 2009 entered into between Chancemore Limited and Max Up Investments Limited in relation to the sale and purchase of a property at Matheson Street, Hong Kong;
- (e) the underwriting agreement dated 17 August 2009 (as supplemented by a side letter dated 21 August 2009) entered into between the Company and Kingston Securities Limited in relation to the underwriting and certain other arrangements in respect of the rights issue of 293,699,560 rights shares at HK\$0.38 per rights share on the basis of 4 rights shares for every share held;
- (f) the deed of assignment dated 11 September 2009 entered into between Mr. Li Ming Hung, Power Bright Investments Limited and Chancemore Limited in relation to the assignment of the shareholder's loan of Chancemore Limited referred to in (b) above;
- (g) the deed of assignment dated 11 September 2009 entered into between Mr. Li Ming Hung, Power Bright Investments Limited and Clever Wise Holdings Limited in relation to the assignment of the shareholder's loan of Clever Wise Holdings Limited referred to in (c) above;
- (h) the assignment dated 14 September 2009 made between Chancemore Limited and Max Up Investments Limited in relation to the completion of the purchase of the property at Matheson Street, Hong Kong by Chancemore Limited;
- (i) the assignment dated 21 September 2009 made between Clever Wise Holdings Limited and Max Palace Corporation Limited in relation to the completion of the purchase of the property at Johnston Road, Hong Kong by Clever Wise Holdings Limited;
- (j) the sale and purchase agreement dated 3 December 2009 entered into between Quick Easy Limited and Easyknit Properties Holdings Limited in relation to the acquisition of the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited;
- (k) the sale and purchase agreement dated 1 March 2010 entered into between the Zhili Town Government (as purchaser), Easyknit Weaving (Huzhou) Co. Limited and Easyknit Dyeing and Printing (Huzhou) Co. Limited (as vendors), Finance Bureau of Wuxing District (as guarantor), and Easyknit (Mauritius) Limited in relation to the sale by the vendors and the purchase by the Zhili Town Government of the repurchased lands in Huzhou; and

- (l) the Underwriting Agreement.

Save as disclosed, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date that are or may be material.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this Prospectus or has given its opinion or advice which is contained in this Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have 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.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interests in any assets which have been, since 31 March 2010 (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 which are proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of their letter and the references to their name in the form and context in which they appear.

11. GENERAL

- (a) The secretary of the Company is Mr. Chan Po Cheung, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda and the Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The English text of this Prospectus prevails over the Chinese text.

12. 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 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this Prospectus, for a period of 14 days:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Underwriting Agreement;
- (c) the letter of Undertaking;
- (d) the letter of consent referred to in the section of this Appendix headed "Expert and consent";
- (e) the accountants' report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group;
- (f) the material contracts referred to in the section of this Appendix headed "Material Contracts";
- (g) the annual reports of the Company for the two years ended 31 March 2010;
- (h) the interim report of the Company for the six months ended 30 September 2010;
- (i) the circular of the Company dated 31 March 2010 in respect of a major transaction involving disposal of land forming part of the Huzhou Project and progress of the Huzhou Project; and
- (j) this Prospectus.