THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in Easyknit Enterprises Holdings Limited (永義實業集團有限公司), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

(1) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION AND CAPITAL INCREASE; (2) CHANGE IN BOARD LOT SIZE; (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

KINGSTON CORPORATE FINANCE LTD.

Underwriter of the Rights Issue

KINGSTON SECURITIES LTD.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 14 to 40 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 41 of this circular. A letter from Messis Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 42 to 69 of this circular.

A notice convening the SGM to be held at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 10 December 2012 at 9:30 a.m. is set out on pages N-1 to N-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from Wednesday, 12 December 2012. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 21 December 2012 to Wednesday, 2 January 2013 (both dates inclusive). It is expected that the conditions referred to in the section headed "Conditions of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Friday, 11 January 2013. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Friday, 21 December 2012 to Wednesday, 2 January 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 12 to 13 of this circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Rights Issue. If the Underwriter exercises such right, the Rights Issue will not proceed.

15 November 2012

* *for identification only*

CONTENTS

EXPECTED TIMETABLE

Expected timetable for the proposed Capital Reorganisation, the change in board lot size and the proposed Rights Issue is set out below:—

Event	**2012 (Hong Kong time)**
Despatch of circular with notice of SGM	Thursday, 15 November
Latest time for lodging proxy form for use in SGM	9:30 a.m. on Saturday, 8 December
Date and time of the SGM	9:30 a.m. on Monday, 10 December
Announcement on results of the SGM	Monday, 10 December
Effective date for the Capital Reorganisation	Tuesday, 11 December
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Tuesday, 11 December
Original counter for trading in existing share certificates in board lots of 2,000 Existing Shares temporarily closes	9:00 a.m. on Tuesday, 11 December
Temporary counter for trading in Adjusted Shares in board lots of 100 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 11 December
First day for free exchange of existing certificates for the Existing Shares into new share certificates for Adjusted Shares	9:00 a.m. on Tuesday, 11 December
Last day of dealings in Shares on a cum-rights basis	Tuesday, 11 December
First day of dealings in Shares on an ex-rights basis	Wednesday, 12 December

Latest time for Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Thursday, 13 December
Closure of register of members of Easyknit Enterprises (both dates inclusive)	Friday, 14 December to Monday, 17 December
Record date and time	4:00 p.m. on Monday, 17 December
Register of members re-opens	Tuesday, 18 December
Despatch of Prospectus Documents	Wednesday, 19 December
First day of dealings in nil-paid Rights Shares	Friday, 21 December
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares	9:00 a.m. on Thursday, 27 December
Original counter for trading in Adjusted Shares in new board lots of 4,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Thursday, 27 December
Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of 100 Adjusted Shares and new share certificates in board lots of 4,000 Adjusted Shares) commences	9:00 a.m. on Thursday, 27 December
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Thursday, 27 December

	2013 (Hong Kong time)
Last day of dealing in nil-paid Rights Shares	Wednesday, 2 January
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Monday, 7 January
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 11 January
Announcement of results of the Rights Issue	Tuesday, 15 January
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Wednesday, 16 January
Certificates for fully paid Rights Shares to be despatched on or before	Wednesday, 16 January
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 17 January
Temporary counter for trading in Adjusted Shares in board lots of 100 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Thursday, 17 January
Parallel trading in the Adjusted Shares (represented by both existing share certificates in board lots of 100 Adjusted Shares and new share certificates in board lots of 4,000 Adjusted Shares) ends	4:00 p.m. on Thursday, 17 January
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on Thursday, 17 January
Last day for free exchange of existing share certificates for new share certificates	Monday, 21 January

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between Easyknit Enterprises and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

Note: The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:

(1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. 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

(2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. 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 does not take effect on the Acceptance Time, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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

"Acceptance Time"	4:00 p.m. on Monday, 7 January 2013 (or such other time or date as the Underwriter may agree in writing with Easyknit Enterprises as the latest date for acceptance of, and payment of, Rights Shares)
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Adjusted Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
"Announcement"	the announcement of the Company dated 11 October 2012 in relation to, among other things, the Capital Reorganisation, the change in board lot size and the Rights Issue
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of Easyknit Enterprises
"Business Day"	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
"Bye-laws"	the bye-laws of Easyknit Enterprises from time to time
"Capital Increase"	the proposed increase of authorised share capital of Easyknit Enterprises from HK$10,000,000 divided into 1,000,000,000 shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 Adjusted Shares of par value HK$0.01 each

"Capital Reduction"	the proposed (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK$0.19 on each of the then issued Consolidated Shares in the share capital of Easyknit Enterprises such that the par value of each issued Consolidated Share will be reduced from HK$0.20 to HK$0.01 (the "Issued Capital Reduction"); (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the par value of all Consolidated Shares in the authorised share capital of the Easyknit Enterprises from HK$0.20 each to HK$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK$200,000,000 divided into 1,000,000,000 Consolidated Shares to HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each; and (iii) the credit amount arising from the Issued Capital Reduction be transferred to the contributed surplus account of Easyknit Enterprises
"Capital Reorganisation"	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Capital Increase
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	The Companies Act 1981 of Bermuda
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Capital Increase
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Director(s)"	the director(s) of Easyknit Enterprises
"EAF(s)"	the excess application form(s) to be issued in connection with the Rights Issue
"Easyknit Enterprises" or the "Company"	Easyknit Enterprises Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
"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
"Existing Share(s)"	ordinary share(s) of par value HK$0.01 each in the share capital of Easyknit Enterprises before the implementation of the Capital Reorganisation
"Goodco"	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
"Group"	Easyknit Enterprises and its subsidiaries
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue

"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Independent Shareholders"	the Shareholders, other than those who are involved in, or interested in, the Underwriting Agreement and the Undertakings, and who are required to abstain from voting in respect thereto at the SGM pursuant to the Listing Rules
"Landmark Profits"	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
"Last Trading Day"	Thursday, 11 October 2012, being the date of entering into the Underwriting Agreement
"Latest Practicable Date"	13 November 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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 restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place

"Overseas Shareholder(s)"	shareholder(s) whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"Posting Date"	Wednesday, 19 December 2012, or such other day as may be agreed between Easyknit Enterprises and the Underwriter, being the date of despatch of the Prospectus Documents
"PRC"	The People's Republic of China
"Prospectus"	the prospectus to be issued by Easyknit Enterprises in relation to the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date
"Record Date"	Monday, 17 December 2012 or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the Rights Issue are expected to be determined
"Registrar"	Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein

"Rights Share(s)"	286,071,250 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of five (5) Rights Shares for every one (1) Adjusted Share held at the Record Date pursuant to Rights Issue
"Settlement Date"	Friday, 11 January 2013, being the fourth Business Day following the Acceptance Time or such later date as Easyknit Enterprises and the Underwriter may agree
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of Easyknit Enterprises to be convened and held to consider and approve, if thought fit, among other things, the proposed Capital Reorganisation and the Rights Issue
"Share Consolidation"	the proposed consolidation of every twenty (20) issued and unissued Existing Shares of par value HK$0.01 each in the share capital of Easyknit Enterprises into one (1) Consolidated Share of par value HK$0.20
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	Existing Share(s), Consolidated Share(s) or Adjusted Share(s), as the case may be
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.40 per Rights Share
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers

"Undertakings"	the conditional irrevocable undertakings dated 11 October 2012 from Landmark Profits and Goodco to Easyknit Enterprises and the Underwriter as described in the section headed "Undertakings from Landmark and Goodco" in this circular
"Underwriter"	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
"Underwriting Agreement"	the underwriting agreement dated 11 October 2012 entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"Underwritten Shares"	136,652,250 Rights Shares, being all the Rights Shares other than the Rights Shares to be provisionally allotted to and accepted by Landmark Profits and Goodco pursuant to the Undertakings under the Underwriting Agreement
"%"	percentage

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to Easyknit Enterprises at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

(a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

(b) 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 of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

(c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

(i) Easyknit Enterprises commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

(ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

(iii) Easyknit Enterprises shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of Easyknit Enterprises, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to Easyknit Enterprises to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor Easyknit Enterprises shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that Easyknit Enterprises shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by Easyknit Enterprises pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

EASYKNIT ENTERPRISES HOLDINGS LIMITED
永義實業集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 0616)

Executive Directors:
Mr. Kwong Jimmy Cheung Tim
(Chairman and Chief Executive Officer)
Ms. Lui Yuk Chu
(Deputy Chairman)
Ms. Koon Ho Yan Candy

Non-executive Director:
Mr. Tse Wing Chiu Ricky

Independent Non-executive Directors:
Mr. Kan Ka Hon
Mr. Lau Sin Ming
Mr. Foo Tak Ching

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

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

15 November 2012

To the Shareholders,

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION AND CAPITAL INCREASE;
(2) CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE; AND
(4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 11 October 2012, the Company announced that the Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Capital Increase. The Share Consolidation will involve the consolidation of every

* *For identification only*

twenty (20) issued and unissued Shares of par value HK$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value HK$0.20. The Capital Reduction will involve (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.19 on each of the then issued Consolidated Shares in the share capital of the Company such that the par value of each issued Consolidated Shares will be reduced from HK$0.20 to HK$0.01; (ii) the reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK$0.20 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 1,000,000,000 Consolidated Shares to HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each. The Capital Increase will involve the increase of authorised share capital of the Company from HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 Adjusted Shares of par value HK$0.01 each.

The Board proposes to change the board lot size for trading in the Shares from 2,000 Existing Shares to 4,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

The Board also proposes to raise HK$114.43 million before expenses, by way of a Rights Issue of 286,071,250 Rights Shares at the Subscription Price of HK$0.40 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date payable in full upon application.

The Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on as to whether the terms of the Rights Issue is fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account of the recommendations of the Independent Financial Adviser. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details about the proposed Capital Reorganisation, the change in board lot size and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the SGM.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Capital Increase.

Share Consolidation

The Share Consolidation will involve the consolidation of every twenty (20) issued and unissued Existing Shares of par value HK$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value HK$0.20. As at the Latest Practicable Date, the authorised share capital of the Company is HK$200,000,000 divided into 20,000,000,000 Existing Shares of par value HK$0.01 each. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK$200,000,000 divided into 1,000,000,000 Consolidated Shares of par value HK$0.20 each. As at the Latest Practicable Date, there are 1,144,285,012 Existing Shares of HK$0.01 each in issue and fully paid. On the basis of such issued share capital, there will be 57,214,250 Consolidated Shares of par value HK$0.20 each in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank pari passu in all respects with each other.

Capital Reduction

The Capital Reduction will involve (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.19 on each of the then issued Consolidated Shares in the share capital of the Company such that the par value of each issued Consolidated Share will be reduced from HK$0.20 to HK$0.01 (the "**Issued Capital Reduction**"); (ii) the reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK$0.20 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 1,000,000,000 Consolidated Shares to HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each; and (iii) the credit arising from the Issued Capital Reduction will be transferred to the contributed surplus account of the Company. The Directors will be authorised to apply any credit balance in the contributed surplus account of the Company in any manner as permitted by the laws of Bermuda and the Bye-Laws, such as distribution out of contributed surplus to the Shareholders and/or the application of such credit balance to set off against accumulated losses of the Company.

Capital Increase

The Capital Increase will involve the increase of authorised share capital of the Company from HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 Adjusted Shares of par value HK$0.01 each. The Company has no present intention of issuing any part of the increased capital in addition to the Rights Issue as detailed in later parts of this circular.

Effects of the Capital Reorganisation

As at the Latest practicable Date, Easyknit Enterprises has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares. Based on Easyknit Enterprises' existing authorised share capital of HK$200,000,000, represented by 20,000,000,000 Existing Shares, and the existing issued share capital of HK$11,442,850.12, represented by 1,144,285,012 Existing Shares, upon completion of the Capital Reorganisation, the authorised share capital of Easyknit Enterprises will remain at HK$200,000,000, represented by 20,000,000,000 Adjusted Shares, and the issued share capital will be HK$572,142.50 represented by 57,214,250 Adjusted Shares.

Any fraction of Adjusted Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of Easyknit Enterprises. The Adjusted Shares will rank pari passu in all respects with each other.

The effect of the Capital Reorganisation is summarised below:

	Prior to the Capital Reorganisation	**Immediately following the Capital Reorganisation becoming effective** *(Note)*
Par value of each Existing Share/ Adjusted Share in issue	HK$0.01	HK$0.01
Number of authorised Existing Shares/ Adjusted Shares	20,000,000,000	20,000,000,000
Authorised share capital	HK$200,000,000	HK$200,000,000
Number of Existing Shares/Adjusted Shares in issue	1,144,285,012	57,214,250
Issued and fully paid-up share capital	HK$11,442,850.12	HK$572,142.50

Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the Latest Practicable Date and the date of the SGM. Any fraction arising from the Capital Reorganisation is not shown in the table.

Based on 1,144,285,012 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK$10.87 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of Easyknit Enterprises. The Board intends to apply the credit amount arising from the Capital Reduction to set-off the accumulated losses of Easyknit Enterprises. As at 31 March 2012, the accumulated losses of the Company were approximately HK$24.25 million. The Board intends to apply all the credit of HK$10.87 million arising as a result of the Capital Reorganisation to set-off the accumulated losses of the Company. Accordingly, the accumulated losses of the Company after the Capital Reorganisation and the application of the credit arisen as stated above (after including the expenses in relation to the Capital Reorganisation) will be approximately HK$13.81 million.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of Easyknit Enterprises or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that Easyknit Enterprises is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of Easyknit Enterprises, the net asset value of Easyknit Enterprises will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of Easyknit Enterprises or the repayment to the Shareholders of any paid-up capital of Easyknit Enterprises nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Share Consolidation (together with the increase in board lot size detailed in the section headed "Change in board lot size") is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares and an increase in trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Adjusted Shares. The Capital Reorganisation will provide greater flexibility for equity fund raising of Easyknit Enterprises in the future since the Company is not permitted by law to issue new Shares below their par value. The credit arising from the Capital Reduction will enable Easyknit Enterprises to set-off its accumulated losses, thus allowing greater flexibility for Easyknit Enterprises for future distributions to the Shareholders or in any manner permitted by the laws of Bermuda and the Bye-laws as and when the Board considers appropriate.

In view of the above, the Board believes that the Capital Reorganisation is beneficial to Easyknit Enterprises and the Shareholders as a whole. Save for the Rights Issue, the Company has no concrete plans for further equity fund raising as at the Latest Practicable Date.

The issued Adjusted Shares will rank pari passu in all respects with each other, and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Any fractional entitlements to the Adjusted Shares will be aggregated and sold (less expenses) for the benefit of Easyknit Enterprises.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon, inter alia, the following:

(a) the passing of the necessary resolutions by the Shareholders at the SGM to approve the Capital Reorganisation;

(b) compliance with the relevant legal procedures and requirements under the Listing Rules and the Companies Act to effect the Capital Reorganisation; and

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as 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.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Shares, to the Registrar during the business hours from Tuesday, 11 December 2012 to Monday, 21 January 2013 (both dates inclusive) in exchange for new certificates for the Adjusted Shares, at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The certificates for the Shares will be valid in the form of existing certificates for trading and settlement up to 4:00 p.m. on Thursday, 17 January 2013, being the latest time for trading in board lots of 100 Adjusted Shares (or such other date which will be announced by the Company) but will continue to be good evidence of legal title and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

The new share certificate will be in the colour of red in order to distinguish them from the existing share certificates which are brown in colour.

CHANGE IN BOARD LOT SIZE

The Board also proposed to change the board lot size for trading in the Shares from 2,000 Existing Shares to 4,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective. Trading in Adjusted Shares in new board lot size of 4,000 Adjusted Shares shall be effective at 9:00 a.m. on Thursday, 27 December 2012.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares arising from the Capital Reorganisation, the Company has appointed an agent, Kingston Securities Limited, to stand in the market to provide matching services for the odd lots of Adjusted Shares for the period from 9:00 a.m. on Thursday, 27 December 2012 to 4:00 p.m. on Thursday, 17 January 2013 (both dates inclusive). Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares would be made on a best effort basis but would not be guaranteed. Holders of odd lots of the Adjusted Shares who wish to take advantage of this matching service either to dispose of their odd lots Adjusted Shares or to top up to board lots of 4,000 Adjusted Shares, may contact Ms. Rosita Kiu of Kingston Securities Limited at Suite 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong at telephone number +852 2298 6215 or by fax at +852 2295 0682 during this period. Any Shareholders, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its professional advisers.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK$0.40 per Rights Share
Number of Existing Shares in issue at the Latest Practicable Date	:	1,144,285,012 Existing Shares
Number of Adjusted Shares after the Capital Reorganisation becoming effective	:	57,214,250 Adjusted Shares
Number of Rights Shares	:	286,071,250 Rights Shares
Aggregate nominal value of Rights Shares	:	HK$2,860,712.50
Fund raised before expenses	:	HK$114,428,500
Underwriter	:	Kingston Securities Limited

The number of Rights Shares to be issued pursuant to the Rights Issue represents five times the issued share capital of Easyknit Enterprises after the Capital Reorganisation and 83.33% of enlarged issued share capital of Easyknit Enterprises immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue.

As at the Latest Practicable Date, Easyknit Enterprises does not have any options outstanding under any share option scheme of Easyknit Enterprises or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price is HK$0.40 per Rights Share, payable in full upon acceptance under the PAL(s) and on application under the EAF(s).

The Subscription Price represents:

(i) a discount of approximately 75.61% to the adjusted closing price of HK$1.64 per Adjusted Share, based on the closing price of HK$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(ii) a discount of approximately 75.31% to the adjusted average closing price of approximately HK$1.620 per Adjusted Share, based on the average closing price of approximately HK$0.0810 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 34.07% to the theoretical ex-rights price of approximately HK$0.6067 per Adjusted Share after the Rights Issue, based on the closing price of HK$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue; and

(iv) a discount of approximately 67.21% to the adjusted closing price of HK$1.22 per Adjusted Share, based on the closing price of HK$0.061 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions. As the Rights Shares are issued to all Qualifying Shareholders, the Directors (excluding the independent non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee of this circular, after having been advised by the Independent Financial Adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholding in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the Directors (excluding the independent non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee of this circular, after having been advised by the Independent Financial Adviser) consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The net Subscription Price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK$0.395 per Rights Share.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid or credited as 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 future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

Closure of register of members

The Company's register of members will be closed from Friday, 14 December 2012 to Monday, 17 December 2012, for the purpose of determining the entitlements of the Qualifying Shareholders to the Rights Issue. No transfer of Shares will be registered during this period.

Qualifying Shareholders

To qualify for the Rights Issue, investors must be registered as members of Easyknit Enterprises and not be a Non-Qualifying Shareholder at the close of business on the Record Date. However, Overseas Shareholders whose names appear on the register of members of Easyknit Enterprises at the close of business on the Record Date whom the Board, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

Easyknit Enterprises is in the process of considering the rights of the Overseas Shareholders and the arrangements in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Issue to such Shareholders.

Further information in this connection will be set out in the Prospectus to be despatched to the Shareholders.

Easyknit Enterprises retains the right, in its discretion, to make any arrangement to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

In order to be registered as members of Easyknit Enterprises at the close of business on the Record Date, beneficial owners must lodge any transfers of Shares (together with the relevant share certificates) with branch share registrar of Easyknit Enterprises in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 13 December 2012.

Easyknit Enterprises will send the Prospectus Documents to the Qualifying Shareholders only.

Non-Qualifying Shareholders

Easyknit Enterprises will send the Prospectus only (without any PAL and EAF) to the Non-Qualifying Shareholders for their information.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the Non-Qualifying Shareholders. Easyknit Enterprises will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

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.

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 lot holdings to whole lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; 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.

The Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Qualifying Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the registrar of the Company for completion of the relevant registration by 4:00 p.m. on Thursday, 13 December 2012.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. Shareholders and investors should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names and apply for the excess Rights Shares themselves.

Fractions of Rights Issue

On the basis of provisional allotment of five (5) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders by ordinary post at their own risk on or before Wednesday, 16 January 2013. One share certificate will be issued for all the Rights Shares allotted to the applicant. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 16 January 2013 by ordinary post to the applicants at their own risk.

The first day of dealing in the Rights Shares in their fully-paid form is expected to commence on Thursday, 17 January 2013.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in board lots of 4,000. Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both nil-paid and fully-paid forms) on the Stock Exchange or such other date as 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite 136,652,250 Underwritten Shares (being all the 286,071,250 Rights Shares under the Rights Issue less the 149,419,000 Rights Shares which will be provisionally allotted to Landmark Profits and Goodco, and which Landmark Profits and Goodco have 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 controlling shareholder are third parties independent of Easyknit Enterprises and connected persons of Easyknit Enterprises. As at the Latest Practicable Date, the Underwriter is interested in 350 Existing Shares.

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

(i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and

(ii) the Underwriter shall use its best 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 Easyknit Enterprises, any of the Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

The Company has been informed by the Underwriter that the Underwriter has already entered into sub-underwriting agreements with sub-underwriters to ensure the fulfillment of its obligations set out in paragraphs (i) and (ii) above. The Underwriter confirms that no subscribers will become a substantial Shareholder immediately upon completion of the Rights Issue.

Commission

Easyknit Enterprises will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors (excluding the independent non-executive Directors whose opinion is set forth in the letter from the Independent Board Committee of this circular, after having been advised by the Independent Financial Adviser) consider that the underwriting commission accords with market rates.

Undertakings from Landmark Profits and Goodco

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, are interested in 597,676,006 Existing Shares, representing approximately 52.23% of the total issued share capital of Easyknit Enterprises. Upon the Capital Reorganisation coming into effective, Landmark Profits and Goodco will beneficially own 29,883,800 Adjusted Shares. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which they have conditionally undertaken, inter alia, that the Shares held by them on the date of the Undertakings will remain registered in their name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to them in respect of those Adjusted Shares (representing 149,419,000 Rights Shares) will be taken up and paid for in full by them. The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If the conditions are not fulfilled, all liabilities of Landmark Profits and Goodco thereunder shall cease and the undertaking shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to Easyknit Enterprises at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

(a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

(b) 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 of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

(c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

(i) Easyknit Enterprises commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

(ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

(iii) Easyknit Enterprises shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of Easyknit Enterprises, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to Easyknit Enterprises to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor Easyknit Enterprises shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that Easyknit Enterprises shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by Easyknit Enterprises pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions having been fulfilled and/or waived:

(i) the passing of resolutions at the SGM to approve the Rights Issue and the Capital Reorganisation;

(ii) the Capital Reorganisation having become effective;

(iii) the registration by and filing with the Registrar of Companies in Hong Kong and Bermuda of the Prospectus Documents;

(iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;

(v) compliance with and performance by Easyknit Enterprises of certain undertakings and obligations under the terms of the Underwriting Agreement;

(vi) 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 and such listings and permission to deal not having been withdrawn or revoked by no later than the first day of their dealings;

(vii) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the 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;

(viii) delivery by Easyknit Enterprises to the Underwriter of the Undertakings by Landmark Profits and Goodco to accept their respective entitlements under the Rights Issue and fulfillment of their respective obligations under the Undertakings; and

(ix) if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares.

The Rights Issue will not proceed if the Underwriting Agreement is terminated.

In the event that the conditions (i), (ii) (iii) and (iv) above are not fulfilled and/or waived (other than conditions (i) & (ii) which cannot be waived in whole or in part by the Underwriter) on or before the despatch of the Prospectus Documents or in the event that the conditions (v), (vi) and (vii) above have not been satisfied/or waived (other than conditions (v) and (vi) above which cannot be waived in whole or part by the Underwriter) on or before 4:00 p.m. on the Settlement Date or such other time as specified therein (whichever is earlier), (or, in each case, such later date as the Underwriter and Easyknit Enterprises may agree) all liabilities of the parties to the Underwriting Agreement shall cease and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by Easyknit Enterprises) and the irrevocable undertakings by Landmark Profits and Goodco to accept their entitlements under the Rights Issue will lapse and the Rights Issue will not proceed.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming only Landmark Profits and Goodco take up their entitled Rights Shares) *(Note)*	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Landmark Profits	261,889,480	22.89	13,094,474	22.89	78,566,844	22.89	78,566,844	22.89
Goodco	335,786,526	29.34	16,789,326	29.34	100,735,956	29.34	100,735,956	29.34
Public	546,608,656	47.77	27,330,433	47.77	163,982,598	47.77	27,330,433	7.96
Underwriter	350	0.00	17	0.00	102	0.00	136,652,267	39.81
Total	1,144,285,012	100.00	57,214,250	100.00	343,285,500	100.00	343,285,500	100.00

Note:

This scenario is for illustrative purpose only.

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

(i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and

(ii) the Underwriter shall use its best 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 Easyknit Enterprises, any of the Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

The Company has been informed by the Underwriter that the Underwriter has already entered into sub-underwriting agreements with sub-underwriters to ensure the fulfillment of its obligations set out in paragraphs (i) and (ii) above. The Underwriter confirms that no subscribers will become a substantial Shareholder immediately upon completion of the Rights Issue.

Reasons for the Rights Issue and the use of proceeds

The Group is principally engaged in (i) property investment, comprising the rental of investment properties; (ii) garment sourcing and export businesses; and (iii) investment in listed securities.

In May 2012, the Company completed the purchase of a property located at the ground floor of No. 6 Cannon Street, Causeway Bay, Hong Kong (the "**Canon Property**") at a consideration of HK$180,000,000 as mentioned in the Company's 2011/12 annual report. In addition, with reference to the announcements of the Company dated 18 and 30 April 2012, the Company entered into agreements to purchase respectively one and four out of six units in a composite building located in No. 15 Matheson Street, Causeway Bay, Hong Kong (Collectively, the "**Five Matheson Properties**"). The Company completed the purchase of the Five Matheson Properties at a total consideration of HK$81,000,000 in May and June 2012. The Group funded the acquisitions of the Canon Property and the Five Matheson Properties by bank borrowings of HK$152 million and internal resources of HK$109 million. The Group continues to seek opportunities to invest in properties with good potential so as to further expand its property investment portfolio.

In August 2012, the Company raised net proceeds of approximately HK$28.4 million by way of rights issue (the "**Previous Rights Issue**", details of which are set out in the Company's announcement dated 15 August 2012 and prospectus dated 11 September 2102) for property investments and general working capital in a smaller scale than the Rights Issue in view of the then prevailing market sentiments. As at the time thereof, the Company was in the course of seeking investment opportunities as usual and the Board had no concrete plan in acquiring any properties, nor the below-mentioned Target Property.

In October 2012, the Board began to form a more focused intention to acquire an identified property investment target in Causeway Bay, Hong Kong (the "**Target Property**"). Having considered (i) the acceptance result of the Previous Rights Issue with subscription rate of approximately 160%; (ii) the improving capital market sentiment as reflected by the Hang Seng Index, which is commonly used as the indicator for the Hong Kong equity market performance, about the date of entering into the Underwriting Agreement was approaching the 6-month high recorded in the beginning of May 2012 and was also at its record high since the HSI lowest point recorded in June 2012 for the 6-month period preceding the date of the Underwriting Agreement; and (iii) the formation of a more focused intention to acquire the Target Property by the Board as mentioned above, the Board considers it is a good timing and proposed the Rights Issue in a larger scale in order to raise further funding required for the possible acquisition of the Target Property. Since the scale of the Right Issue of approximately HK$114.43 million is much larger than the Previous Rights Issue of approximately HK$29.4 million, the Board considers that a certain degree of discount of the subscription price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue and the future development of the Group.

As at 31 October 2012, the Group had unaudited cash and cash equivalent of approximately HK$150 million, of which RMB76 million, which is equivalent to approximately HK$92 million, is tied up in the PRC as investment capital which is practically not possible to be transferred back to Hong Kong. As mentioned in the prospectus for the Previous Rights Issue dated 11 September 2012, the Company has also been exploring investment opportunities in hotel and service apartment business. Notwithstanding the Company has not identified any specific investment target for those purposes up to the Latest Practicable Date, the Board considers (i) the Hong Kong property market is highly competitive, liquid and fast moving, and hence the Company is required to have ready access to large pools of capital at short notice in order to secure deals; (ii) the latest cash balance of HK$150 million is large in magnitude but not so in the context of property investment in Hong Kong, not to mention the aforesaid investment capital of RMB76 million tied up in the PRC; (iii) depleting the Company's cash would lead to insufficient cash resources for further material property acquisitions, particularly in the current market in which bank financing for property acquisition is more stringent than it used to be; and (iv) a considerable cash level is necessary for the general working capital of the Group and the above purposes. As such, the Board is of the view that utilization of existing cash resources for acquisition of the Target Property is not in the interest of the Company and the Shareholders as a whole and has decided to propose the Rights Issue.

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK$114.43 million and HK$113.03 million respectively. The Company intends to apply the entire net proceeds for the possible acquisition of the Target Property. The Board also plans to allocate 50% (i.e. HK$14.2 million) of the net proceeds raised from the Previous Rights Issue for the acquisition of the Target Property if the investment becomes materialised in the future.

Shareholders should note that the Board has formed a more focused intention to acquire the Target Property. However, neither definitive agreements nor terms have been entered into up to the Latest Practicable Date. Acquisition of the Target

Property may or may not proceed, subject to, among other things, (i) the change in the local property market in the future; (ii) the change in market valuation on the Target Property in the future; and (iii) the reaching of consensus by the Company and the owner of the Target Property. In the event the acquisition of the Target Property does not become materialized, the Board will apply the entire net proceeds to be raised from the Rights Issue on other future property investments.

Apart from the Rights Issue, the Company has also considered alternative fund raising methods, such as debt financing and placing of new Shares. However, having taking into account the benefits and costs of the alternatives, the Board is of the view that the Rights Issue will allow the Group to strengthen its balance sheet without incurring any interest costs which will be arisen from debt financing. The Board also considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the future development of the Group should they wish to do so, whereas the existing Shareholders may lose such opportunity in the placing of new Shares.

The Board is aware of the potential dilution effect on the Shareholders' shareholding interests in the Company if they do not subscribe for their pro-rata Rights Shares. Nonetheless, the Board considers that the foregoing should be balanced against by the following factors:

— Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;

— Qualifying Shareholders are offered to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares;

— Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares in the market; and

— those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, the Board considers the potential dilution effect on the shareholding interests of the Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

Hence, having considered all the factors above, the Board considers that fund raising through the Rights Issue is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, Easyknit Enterprises has not conducted any other equity fund raising exercise in the past 12 months immediately prior to the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of proceeds	Actual use of proceeds (approximately)
30 May 2012	Placing of new Shares under general mandate	HK$13.6 million	General working capital of the Group	(i) Payment of expenses of HK$3.7 million; (ii) settlement of trade and bills payable of HK$6.3 million; and (iii) investments in listed securities of HK$3.6 million
18 July 2012	Placing of new Shares under general mandate	HK$12.0 million	(i) Fitting and renovation of properties; (ii) General working capital of the Group	(i) Fitting and renovation of properties of HK$0.3 million; and (ii) remaining proceeds balance of HK$11.7 million to be applied for general working capital
15 August 2012	Rights issue	HK$28.4 million	(i) Property investment; (ii) General working capital of the Group	Not utilized yet. If the Acquisition of the Target Property becomes materialized, the Board intends to apply HK$14.2 million as to the acquisition of the Target Property and HK$14.2 million as to the general working capital of the Group.

BUSINESS REVIEW OF THE GROUP

During the year, the Group was principally engaged in property investment, garment sourcing and export business, and investment in listed securities.

For the year ended 31 March 2012, the Group recorded a turnover of approximately HK$286,916,000, representing a decrease of approximately HK$61,076,000 or 17.6% from approximately HK$347,992,000 for the year 2011.

Loss attributable to owners of the Company for the year ended 31 March 2012 amounted to approximately HK$42,730,000 (2011: profit of approximately HK$65,060,000). The loss was mainly attributable to (i) the loss of approximately HK$16,677,000 on the fair value change of investments held for trading; and (ii) the impairments of goodwill and intangible asset for approximately HK$39,313,000 and HK$19,791,000 respectively.

Geographical Analysis of Turnover

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

Garment Sourcing and Exporting

For the year ended 31 March 2012, this segment recorded a turnover of approximately HK$280,918,000 (2011: approximately HK$342,700,000) representing approximately 18.0% decrease comparing with year 2011. Cost of sales for the year amounted to approximately HK$256,138,000 (2011: approximately HK$309,487,000). The loss of approximately HK$61,799,000 (2011: profit of approximately HK$3,115,000) was mainly due to the impairment losses recognised on goodwill and intangible asset, the decrease of turnover and an increase in cost of garments and resulted in a fairly low profit margin for exported products.

Property Investment

For the year under review, the aggregate rental generated from the property investments was approximately HK$5,998,000 (2011: approximately HK$5,292,000) of which approximately HK$2,988,000 and HK$3,010,000 were generated from the properties in Hong Kong and the PRC respectively.

The Group has two blocks of factory premises and four blocks of dormitories with a total gross floor area of approximately 52,624 sq.m. in Huzhou, PRC. In addition, the construction works on a new factory block target to be completed by late 2012.

On 16 February 2012, the Group has entered into a provisional sale and purchase agreement to purchase a property located at the Ground Floor, No. 6 Cannon Street, Causeway Bay, Hong Kong at a consideration of HK$180,000,000. Such acquisition was completed in May 2012. Details of the acquisition of the property are set out in the Company's announcement dated 16 February 2012.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

The current global financial situation remains complex and volatile and the quantitative easing measures implemented by the United States government has introduced hot money to Hong Kong and further pushed up the property prices and rentals during the year. However, the Directors believe that the Hong Kong government has sufficient effective policies to curb property market speculation.

Since publication of the 2011/12 annual report of the Company, the Board maintained its property portfolio for investment purpose and continued to look for other opportunities to maximise Shareholders' return. In addition, the Company intends to continue to explore investment opportunities in the hotel and service apartment business. Such process is ongoing and the Company currently has not identified any specific target.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Existing Shares will be dealt in on an ex-rights basis from Wednesday, 12 December 2012. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 21 December 2012 to Wednesday, 2 January 2013 (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 contemplating selling or purchasing Existing Shares, Adjusted Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Existing Shares or Adjusted 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 Friday, 21 December 2012 to Wednesday, 2 January 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

SGM R7.19

In accordance with the bye-laws of Easyknit Enterprises, the Capital Reorganisation will be subject to the approval by the Shareholders at the SGM. Shareholders and potential investors should exercise caution in dealing in the Shares. As the Rights Issue will increase the issued share capital of Easyknit Enterprises by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue will be subject to approval from Independent Shareholders at the SGM.

In accordance with the Listing Rules, Landmark Profits, Goodco and their respective associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. The Underwriter, who is interested in the Underwriting Agreement, will also abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. As at the Latest Practicable Date, the number of Shares held by each of Landmark Profits, Goodco, the Underwriter and their respective associates are 261,889,480, 335,786,526 and 350 respectively, representing 22.89%, 29.34% and 0.00% of the issued share capital of the Company respectively. R2.17 R13.4

The voting of the Shareholders/Independent Shareholders at the SGM must be taken by way of a poll.

There had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third parties either especially or on a case-by-case basis. R2.17

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

NOTICE OF THE SGM

Set out on pages N-1 to N-4 of this circular is a notice of the SGM to be held at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 10 December 2012 at 9:30 a.m. at which resolutions will be proposed to approve, among other things, the Capital Reorganisation and the Rights Issue. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 41 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 42 to 69 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue is fair and reasonable and that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Rights Issue at the SGM.

The Directors (as for the Rights Issue, excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee set out in page 41 of this circular) believe that the terms of the Rights Issue and the Capital Reorganisation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

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

EASYKNIT ENTERPRISES HOLDINGS LIMITED
永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

15 November 2012

To the Independent Shareholders,

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE

We refer to the circular dated 15 November 2012 (the "**Circular**") of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Rights Issue. Messis Capital Limited has been appointed as independent financial adviser ("**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Rights Issue with the principal factors and reasons for its advice and recommendation.

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,

Independent Board Committee

Mr. Kan Ka Hon **Mr. Lau Sin Ming** **Mr. Fook Tak Ching**

Independent non-executive Directors

* *For identification only*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

15 November 2012

To: The Independent Board Committee and the Independent Shareholders of Easyknit Enterprises Holdings Limited

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON RECORD DATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 15 November 2012 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Circular.

On 11 October 2012, the Company announced, amongst other, proposes to raise HK$114.43 million before expenses, by way of a Rights Issue of 286,071,250 Rights Shares at the Subscription Price of HK$0.40 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date payable in full upon application. The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK$114.43 million and HK$113.03 million respectively. Easyknit Enterprises intends to apply the entire net proceeds for the possible acquisition of the Target Property.

The Rights Issue is fully underwritten by the Underwriter. The Directors confirmed that the terms of the Rights Issue were agreed after arm's length negotiations between the Company and the Underwriter.

The Rights Issue is conditional upon, among other things, the approval from the Independent Shareholders on a vote taken by way of poll at the SGM and the Capital Reorganisation becoming effective. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, are interested in 597,676,006 Existing Shares (or 29,883,800 Adjusted Shares upon the Capital Reorganisation coming into effect) representing approximately 52.23% of the issued share capital of Easyknit Enterprises. Accordingly, Landmark Profits, Goodco and together with their respective associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM. The Underwriter, who is interested in the Underwriting Agreement and was interested in 350 Existing Share, will also abstain from voting in favour of the proposed resolution to approve the Rights Issue at the SGM.

An Independent Board Committee comprising Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of each of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution to approve the Rights Issue at the SGM. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax implications on the Qualifying Shareholders of their acceptances or non-acceptances of the Rights Issue since these are particular to their own individual circumstances. Qualifying Shareholders should consider their own tax position with regard to the Rights Issue and, if in any doubt, should consult their own professional advisers in due course.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent advice and recommendation in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background of and reason for the Right Issue

Business overview of the Group

The Group is principally engaged in (i) property investment, comprising the rental of investment properties; (ii) garment sourcing and export businesses; and (iii) investment in listed securities.

Set out below is the financial information of the Group for each of the two years ended 31 March 2012 as extracted from the Company's annual report for the year ended 31 March 2012 (the "**2012 Annual Report**") and the financial information of the Group for the year ended 31 March 2010 as extracted from the Company's annual report for the year ended 31 March 2011 (the "**2011 Annual Report**"):

	For the year ended 31 March		
	2012	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Operating results			
Turnover			
— Garment sourcing and exporting	280,918	342,700	28,888
— property investment	5,998	5,292	2,322
— investment in securities	—	—	—
Total	286,916	347,992	31,210
(Loss)/profit attributable to owners of the Company	(42,730)	65,060	(18,058)
Segment results			
— Garment sourcing and exporting	(61,799)	3,115	288
— Property investment	2,848	2,450	954
— Investment in securities	(14,711)	1,165	—
	(73,662)	6,730	1,242

	As at 31 March		
	2012	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net asset value	594,764	628,362	489,983
Bank balances and cash	205,477	181,876	127,912

As shown in the above table, the Group recorded a turnover of approximately HK$287.0 million for the year ended 31 March 2012, representing a decrease of 17.6% from approximately HK$348.0 million from the preceding year. The Group's major turnover was derived from garment sourcing and exporting business segment which was recorded at approximately HK280.9 million and accounted for approximately 97.9% of the Group's total turnover for the year ended 31 March 2012 (2011: approximately HK$342.7 million and 98.5% respectively). Despite the garment sourcing and exporting business segment is the key turnover contributor in the Group, it recorded a segmental loss of approximately HK$61.8 million for the year ended 31 March 2012 as compared to a segmental profit of approximately HK$3.1 million for the previous year. As stated in the 2012 Annual Report, the loss of the garment sourcing and exporting business segment was mainly attributable to the impairment losses recognised on goodwill and intangible asset, the decrease of turnover and an increase in cost of garments and resulted in a fairly low profit margin for exported products. The loss attributable to owners of the Company for the year ended 31 March 2012 was approximately HK$42.7 million as compared to the profit attributable to owners of the Company of approximately HK$65.1 million for the year ended 31 March 2011. The loss was mainly attributable to (i) the loss of approximately HK$16.68 million on the fair value change of investments held for trading; and (ii) the impairments of goodwill and intangible asset for approximately HK$39.31 million and HK$19.79 million respectively. As at 31 March 2012, the net asset value and bank balances and cash amounted to approximately HK$594.8 million and approximately HK$205.5 million respectively.

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK$348.0 million, representing a significant increase of 1,015.0% as compared with approximately HK$31.2 million for the year ended 31 March 2011. According to the 2011 Annual Report, since the garment sourcing and exporting business was acquired in March 2010 and the property investment business commenced in September 2010, the revenue figure for the year ended 31 March 2010 was presented for reference only and was irrelevant for comparison purposes as it did not cover the entire 12-month full year performance. Profit attributable to owners of the Company for the year ended 31 March 2011 was approximately HK$65.1 million as compared to the loss attributable to owners of the Company of approximately HK$18.1 million for the year ended 31 March 2010. As mentioned in the 2011 Annual Report, the turnaround was mainly attributable to (i) the Group ceased its bleaching, dyeing and knitting businesses in November 2009 to prevent further losses; (ii) the Group commenced its garment sourcing and exporting business in March 2010; (iii) the gain arising on changes in fair value of investment properties of approximately HK$37,374,000; (iv) the gain on fair value changes of investments held for trading of approximately HK$1,705,000; (v) reversal of impairment loss recognised in respect of property, plant and equipment of HK$8,777,000; and (vi) gain on disposal of discontinued operations of HK$21,388,000.

The table set out below summarised the information relating to the Company's fund raising activities, from which we noted that the Company conducted three fund raising activities approximately HK$54.0 million, in the past twelve months immediately prior to the Latest Practicable Date:

Date of Announcement	Fund raising activities	Net proceed raised (approximately)	Proposed use of proceeds	Actual use of proceeds (approximately)
30 May 2012	Placing of new Shares under general mandate	HK$13.6 million	General working capital of the Group	(i) Payment of expenses of HK$3.7 million; (ii) settlement of trade and bills payable of HK$6.3 million; and (iii) investments in listed securities of HK$3.6 million
18 July 2012	Placing of new Shares under general mandate	HK$12.0 million	(i) Fitting and renovation of properties; and (ii) general working capital of the Group	(i) Fitting and renovation of properties of HK$0.3 million; and (ii) remaining proceeds balance of HK$11.7 million to be applied for general working capital

Date of Announcement	Fund raising activities	Net proceed raised (approximately)	Proposed use of proceeds	Actual use of proceeds (approximately)
15 August 2012	Rights issue (the "Previous Rights Issue")	HK$28.4 million	(i) Property investment; and (ii) general working capital	Not utilized yet. If the Possible Property Acquisition (as defined below in the paragraph headed "Reasons for the Rights Issue") become materialized, the Board intends to apply HK$14.2 million as to the Possible Property Acquisition and HK$14.2 million as to the general working capital of the Group

Save for the foregoing, the Company has not conducted any other fund raising activities in the past twelve-month period up to and including the Latest Practicable Date.

Reasons for the Right Issue

As stated in the Letter from the Board, the Group continues to seek opportunities to invest in properties with good potential so as to further expand its property investment portfolio. The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK$114.43 million and HK$113.03 million respectively. The Company intends to apply the entire net proceeds for the possible acquisition of the Target Property.

As discussed in the paragraph headed "Business overview of the Group" above in this section, the garment sourcing and exporting business segment is the key turnover contributor in the Group. However, it recorded a segmental loss of approximately HK$61.8 million for the year ended 31 March 2012 and the loss was mainly attributable to, among other things, the decrease of the segmental turnover and an increase in cost of garments that resulted in a fairly low profit margin for exported products. We also noted from the 2012 Annual Report, the Company expected that the operating environment of the garment sourcing and exporting business was challenging due to record high price of cotton, continued appreciation of Renminbi against US dollars and overall price surge resulting from inflation.

According to a newsletter titled “Clothing industry in Hong Kong” issued by Hong Kong Trade Development Council (the “TDC Article”) on 13 June 2012, the value of Hong Kong’s domestic export of clothing for the first four months of 2012 was approximately HK$0.7 billion, representing a decrease of approximately 23% as compared to the previous corresponding period. The value of Hong Kong’s domestic export of clothing decreased from approximately HK$3.2 billion in 2010 to approximately HK$2.8 million in 2011. With reference to the TDC Article, the traditional market, such as United States, European Union and Japan, have rendered the clothing exporters from developing countries, including the Association of Southeast Asian Nations and Bangladesh, which has in turn impaired the competitiveness of Hong Kong and the PRC manufacturers. Given that the sluggish growth of the global economy, the impact of the European sovereign debt crisis and other negative external factors, we concur with the view of the Directors that the garment sourcing and exporting business was under the severe market environment with intensified competition.

The Group has commenced the property investment business in September 2010. According to the Company’s annual report for the year ended 31 March 2010, the Company acquired two properties located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong for total considerations of HK$53,688,000 and HK$38,000,000 respectively. Subsequently, the Company has purchased a property located at the ground floor of No. 6 Cannon Street, Causeway Bay, Hong Kong at a consideration of HK$180,000,000 in May 2012 and five properties situated at No. 15 Matheson Street, Causeway Bay, Hong Kong at a total consideration of HK$81,000,000 in June 2012. We noted from the 2011 Annual Report and 2012 Annual Report, the property investments business segment recorded a continuous segmental profit for the three years ended 31 March 2012. As advised by the Company, the acquisitions of properties provided good opportunities for the Group to expand its properties portfolio and hence increased the income stream of the Group.

The table below set out the rental and price indices for private retail properties in Hong Kong as extracted from the "Hong Kong Property Review — Monthly Supplement" released by the Rating and Valuation Department of Hong Kong in October 2012:

Rental and price indices of private retail properties in Hong Kong

(1999 = 100)

Year	**Month**	**Rents**	**Prices**
2010		122.9	257.2
2011		134.3	327.4
2011	1 – 3	128.0	304.6
	4 – 6	133.2	324.6
	7 – 9	136.6	336.1
	10 – 12	139.3	344.2
2012	1 – 3 *	143.1	363.0
	4 – 6 *	149.4	403.7

Sources: Hong Kong Property Review – Monthly Supplement October 2012

Note: * Provisional figures

As illustrated above, the rental index of private retail properties in Hong Kong increase from 122.9 in 2010 to 134.3 in 2011, representing an increase of approximately 9.3% while the price index of private retail properties in Hong Kong grew by approximately 27.3% in 2011 as compared with the previous year. The rental and price indices for the second quarter of 2012 was 149.1 and 403.7 respectively, representing an increase of approximately 12.2% and 24.4% as compared with the same period in 2011 respectively. The private retail properties in Hong Kong have demonstrated a strong growth. The Hong Kong government has introduced a Special Stamp Duty at the end of 2010 and amended the Special Stamp Duty with a Buyer's Stamp Duty with effective from 27 October 2012. Notwithstanding the Buyer's Stamp Duty is imposed on any person (including corporate buyers) except Hong Kong permanent residents, on the basis that (i) both the Special Stamp Duty and Buyer's Stamp Duty are introduced to curb overheated speculation in the local residential property market; (ii) the potential investors may retreat from the residential property market and rush into non-residential properties as a result of the Special Stamp Duty and the Buyer's Stamp Duty which may increase the demands for commercial properties; (iii) save and except for the acquisition of Five Matheson

Properties in June 2012, the aforementioned properties acquired by the Group are all commercial properties in Hong Kong; and (iv) the Directors have confirmed that the Company will continue to focus on its property investment business with an emphasis on seeking investment in Hong Kong commercial properties, we consider that the recently announced revision on the Special Stamp Duty and the Buyer's Stamp Duty will not have material impact on the property investment business of the Group and our opinion and recommendation on the Rights Issue.

As discussed with the Company, we are given to understand that it is the intention of the Group to maintain its property portfolio for investment purposes so as to secure a stable recurrent income source to the Group and hence to maximise the Shareholders' return. According to the Letter from the Board, in August 2012, the Company decided to raise approximately HK$28.4 million by way of the Previous Rights Issue for property investments and general working capital in a smaller scale than the Rights Issue in view of the then prevailing market sentiments. As at the time thereof, the Company was still in the course of seeking investment opportunities as usual and the Board had no concrete plan in acquiring any property, including the Target Property. In October 2012, the Board began to form a more focused intention to acquire the Target Property (the "**Possible Property Acquisition**"). Having considered (i) the acceptance result of the Previous Rights Issue with subscription rate of approximately 160%; (ii) the improving capital market sentiment as reflected by the Hang Seng Index which is commonly used as the indicator for the Hong Kong equity market performance; and (iii) the formation of a more focused intention to acquire the Target Property by the Board as mentioned above, the Board considers it is a good timing and proposed the Rights Issue in a larger scale in order to raise further funding required for the Possible Property Acquisition. Since the scale of the Rights Issue of approximately HK$114.43 million is significantly larger than the Previous Rights Issue of approximately HK$28.4 million, the Board considered that a certain degree of discount of the subscription price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue and the future development of the Group. The estimated net proceeds from the Right Issue amounted to approximately HK$113.03 million. The Company intends to apply the entire net proceeds for the Possible Property Acquisition. The Company also plans to allocate 50% (i.e. HK$14.2 million) of the net proceeds raised from the Previous Rights Issue for the Possible Property Acquisition if the investment becomes materialised in the future. As advised by the Directors, in the event that the Possible Property Acquisition does not become materialized, the Company will apply the entire net proceeds to be raised from the Rights Issue on other future property investments. As confirmed by the Directors, although the Board has formed a more focused intention to acquire the Target Property, neither definitive agreements nor terms have been entered into up to the Latest Practicable Date.

According to the 2012 Annual Report, the Group had bank balances and cash of approximately HK$205.5 million as at 31 March 2012. As advised by the Directors, the unaudited bank balances and cash of the Group decreased to approximately HK$150 million as at 31 October 2012 after taking into account of the proceeds from the Previous Rights Issue of approximately HK$28.4 million, of which approximately RMB76 million (equivalent to approximately HK$92 million) was tied up in the PRC as investment capital which is practically not possible to be transferred back to Hong Kong ("**PRC Cash Resources**") while the remaining cash of approximately HK$58 million were deposited in banks in Hong Kong. As advised by the Directors, the decrease in bank balances and cash was mainly attributable to the acquisition of the Canon Property and the Five Matheson Properties of which approximately HK$109 million were funded by the internal resources of the Company. Given that (i) the Group's PRC Cash Resources is practically not possible to be transferred back to Hong Kong and; (ii) complicated and time consuming administrative procedures may have to be taken to withdraw the PRC Cash Resources for Hong Kong operation, the Directors consider that the PRC Cash Resources are not suitable to finance the Group's property investment business in Hong Kong. As disclosed in the paragraph above, the Company is in the course of negotiation of the consideration for the Possible Property Acquisition. Although there is not a fixed amount of consideration for the Possible Property Acquisition at this stage, the Directors consider that such consideration will not be less than HK$180 million with reference to the current market rate. The Directors consider that it is not in the interests of the Company and its Shareholders to disclose the information of the investment targets as this may affect the negotiation power of the Group during the Possible Property Acquisition process and the Group cannot enter into the agreement for the Possible Property Acquisition unless the Group has sufficient resources to completion the Possible Property Acquisition. In addition, as mentioned in the prospectus for the Previous Rights Issue dated 11 September 2012, the Company has been exploring investment opportunities in hotel and service apartment business. Notwithstanding the Company has not identified any specific investment target for those purposes up to the Latest Practicable Date, the Board considers (i) the Hong Kong property market is highly competitive, liquid and fast moving, and hence the Company is required to have ready access to large pools of capital at short notice in order to secure deals; (ii) the latest cash balance of HK$150 million is large in magnitude but not so in the context of property investment in Hong Kong, not to mention the aforesaid investment capital of RMB76 million tied up in the PRC; (iii) depleting the Company's cash would lead to insufficient cash resources for further material property acquisitions, particularly in the current market in which bank financing for property acquisition is more stringent than it used to be; and (iv) for the general working capital of the Group and the purposes above. As such, the Board is of the view that utilisation of existing cash resources for acquisition of the Target Property is not in the interest of the Company and the Shareholders as a whole and has decided to propose the Rights Issue. Upon completion of the Right Issue, an increase of approximately HK$113.03 million in cash will enable the Group to strengthen its capital base and to reserve cash for the Possible Property Acquisition or any appropriate investment for future business development as and when opportunities arise.

Taking into account (i) the bank balances and cash of the Group decreased to approximately HK$150 million, of which approximately RMB76 million (equivalent to approximately HK$92 million) were deposited in banks in the PRC; (ii) the Group is required to have ready access to large pools of capital at short notice to secure deals as Hong Kong property market is highly competitive, liquid and fast-moving; (iii) a considerable cash level is necessary for the Group to capture investment opportunities in a timely manner when they arise and for general working capital of the Group (iv) the Right Issue will enable the Group to strengthen its capital base and to reserve cash for the Possible Property Acquisition or any appropriate investment for future business development as and when opportunities arise; (v) the discount of the Subscription Price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue in view of the scale of the Rights Issue and the prevailing market conditions (vi) the Qualifying Shareholders will be allowed to maintain their respective pro-rata shareholding interest in the Company; and (vii) the potential dilution effect will be balanced against by the factors as set out in the paragraph headed the "Potential dilution to Independent Shareholders' shareholdings" below, we concur with the Directors' view that the Right Issue is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

2. Financing alternatives available to the Group

As confirmed by the Directors, save as and except for (i) placing of new shares under general mandate announced on 30 May 2012; (ii) placing of new shares under general mandate announced on 18 July 2012; and (iii) rights issue announced on 15 August 2012, no other fund raising exercises were carried out by the Group during the twelve-month period immediately preceding the Latest Practicable Date.

In this respect, we have further enquired into the Directors and were informed by the Directors that they have considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares. As advised by the Directors, since (i) the Group is loss-making for the year ended 31 March 2012 and the debt financing would incur additional interest burden to the Group which may adversely affect the financial results of the Group; and (ii) the banks may not be able to full finance the Possible Property Acquisition for their mortgage policy, the Directors consider that they would not proceed with the debt financing at this stage. Given that (i) the existing Shareholders may not be allowed to participate in or may not have an equal opportunity to participate in the placing of the Shares even though their shareholdings may be diluted as a result of the placing; and (ii) it may be difficult for the placing agent to find appropriate investors within a short period of time to raise such a large scale of funds in the light of the capital needs for the Possible Property Acquisition, the Directors consider that the placing of the Shares is not an appropriate alternative for the Group..

Although both an open offer and a rights issue would allow all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, the Directors consider that a rights issue would allow those Shareholders who would not participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form. In addition, in view of the scale of the Rights Issue and the prevailing market conditions, the Directors are of the view that the discount of the Subscription Price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue and the future development of the Group having considered that the Subscription Price and the basis of the Rights Issue were arrived at after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions and the Underwriter would not accept the underwriting of the Rights Issue with less dilutive effect and less discount to market price.

In view of (i) the above benefits for and cost of each of the financing alternatives available to the Group; (ii) the Rights Issue will enable the Group to strengthen its capital base and to reserve cash for the Possible Property Acquisition or any appropriate investment for future business development as and when opportunities arise as set out in the paragraph headed "Reasons for the Rights Issue" above; (iii) the Subscription Price and the basis of the Rights Issue were arrived at after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions; (iv) the discount of the Subscription Price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue and the future development of the Group; and (v) the factors mentioned in the section below headed "Potential dilution to Independent Shareholders' shareholdings", we concur with the Directors that the Rights Issue is an appropriate and feasible financing method current available to the Company to satisfy its funding need for existing operation and future development and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

The table below summarized the major terms of the Right Issue:

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK$0.40 per Rights Share
Number of Existing Shares in issue at the date of this announcement	:	1,144,285,012 Existing Shares
Number of Adjusted Shares after the Capital Reorganisation becoming effective	:	57,214,250 Adjusted Shares
Number of Rights Shares	:	286,071,250 Rights Shares
Aggregate nominal value of Rights Shares	:	HK$2,860,712.50

The number of Rights Shares to be issued pursuant to the Rights Issue represents five times the issued share capital of Easyknit Enterprises after the Capital Reorganisation and 83.33% of enlarged issued share capital of Easyknit Enterprises immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue.

As at the Latest Practicable Date, Easyknit Enterprises does not have any options outstanding under any share option scheme of Easyknit Enterprises or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Subscription Price is HK$0.40 per Rights Share, payable in full upon acceptance under the PAL(s) and on application under the EAF(s). The Subscription Price represents:

(i) a discount of approximately 75.61% to the adjusted closing price of HK$1.64 per Adjusted Share, based on the closing price of HK$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(ii) a discount of approximately 75.31% to the adjusted average closing price of approximately HK$1.620 per Adjusted Share, based on the average closing price of approximately HK$0.0810 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 34.07% to the theoretical ex-rights price of approximately HK$0.6067 per Adjusted Share after the Rights Issue based on the closing price of HK$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue; and

(iv) a discount of approximately 67.21% to the adjusted closing price of HK$1.22 per Adjusted Share, based on the closing price of HK$0.061 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions. As the Rights Shares are issued to all Qualifying Shareholders, the Directors consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholding in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Analyses on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares (after adjusting for the effect of the Capital Reorganisation by multiplying the closing by 20) as quoted on the Stock Exchange in each of the 12 months during the period commencing from 13 November 2011 up to and including the Latest Practicable Date (the "Review Period") are shown as follows:

Month	**Highest closing price (adjusted)** *(HK$)*	**Lowest closing price (adjusted)** *(HK$)*	**Average daily closing price (adjusted)** *(HK$)*
2011			
November	5.440	4.440	4.773
December	4.780	4.520	4.572
2012			
January	7.720	4.840	6.531
February	8.920	6.380	8.050
March	8.380	4.180	6.725
April	3.920	3.620	3.747
May	3.620	2.480	3.068
June	3.140	2.380	2.697
July	2.680	1.860	2.104
August	2.080	1.540	1.675
September	1.660	1.520	1.594
October	1.640	1.080	1.321
November (up to and including the Latest Practicable Date)	1.740	1.260	1.444

Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the adjusted average daily closing price of the Shares ranged from approximately HK$1.321 to HK$8.05 per adjusted Share in each month and the average adjusted daily closing price is HK$3.759. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$8.920 per adjusted Share recorded on 14 February 2012 and HK$1.08 per adjusted Share recorded on 18 October 2012. After the closing price reached to the highest on 14 February 2012, it then decreased gradually after the announcement of a major acquisition of property release on 16 February 2012. The Subscription Price had been below the closing prices of the Shares in the open market during the Review Period and the Subscription Price of HK$0.40 per Rights Share represents a discount of approximately 89.47% to the adjusted average closing price of approximately HK$3.80 per Adjusted Share, based on the average closing price of approximately HK$0.19 per Existing Share under the Review Period. We noted that it is a common market practice that, in order to enhance the attractiveness of a rights issue exercise and to encourage the existing shareholders to participate in a rights issue, the rights issue price normally represents a discount to the prevailing market prices of the relevant shares. Hence, we consider that the setting of the Rights Issue Price at a lower level is acceptable.

(ii) Review on trading liquidity

The average daily number of the Shares (before the Share Consolidation) traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	**Adjusted average daily trading volume (the "Adjusted Average Volume")**	**% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date**	**% of the Average Volume to total number of issued Shares as at the Latest Practicable Date**
	No. of Shares	*(Note 2)* *%*	*(Note 1)* *%*
2011			
November	9,250	0.03%	0.02%
December	122,187	0.45%	0.21%

Month	Adjusted average daily trading volume (the "Adjusted Average Volume")	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date
	No. of Shares	*(Note 2)*	*(Note 1)*
		%	*%*
2012			
January	203,048	0.74%	0.35%
February	147,068	0.54%	0.26%
March	326,028	1.19%	0.57%
April	333,445	1.22%	0.58%
May	345,508	1.26%	0.60%
June	943,307	3.45%	1.65%
July	1,049,666	3.84%	1.83%
August	966,301	3.54%	1.69%
September	515,903	1.89%	0.90%
October	483,500	1.77%	0.85%
November (up to and including the Latest Practicable Date)	463,834	1.70%	0.81%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Based on the adjusted Shares held in public hands of 57,214,250, derived by dividing 546,608,656 by 20, as at the Latest Practicable Date.

2. Based on the adjusted Shares in issue of 27,330,432, derived by dividing 1,144,285,012 by 20, as at the Latest Practicable Date.

The above table illustrates that the adjusted average daily trading volume of the Shares per month had been thin during the Review Period. Until the month of March 2012, the volume of Shares traded during the Review Period was below 1% of (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date. After that, the trading volume increased slightly and ranged between (i) 1.19% and 3.84% of the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) 0.57% and 1.83% of the total number of issued Shares as at the Latest Practicable Date. Since the Shares were generally illiquid in the open market and the price of the Shares showed a sliding trend since February 2012, we concur with the Directors' view that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. For this reason, we are of the view that the discount to the Share price as represented by the Subscription Price and the Exercise Price is justifiable.

(iii) Comparison with other rights issue transactions

To assess the fairness and reasonableness of the Right Issue, we have searched, on a best effort basis, all the rights issue transactions conducted by companies listed on the main board of the Stock Exchange (the "**Comparables**") from 13 May 2012 up to the Last Practicable Date (the "**Review Period**"), being the six-months period prior to and including the Latest Practicable Date. To the best of our knowledge, we have identified 14 Comparables which met the said criteria. The list of the Comparables is considered to be exhaustive, for comparison purpose. Since the Review Period (i) has covered the prevailing market conditions and sentiments; and (ii) is adequate for the Shareholders to understand various circumstances of the rights issue transactions, we consider that the Review Period is appropriate and the Comparables are fair and representative samples. However, Shareholders should note that the businesses, operations and prospects of the Comparables are not directly comparable to the Company and thus the Comparables are only use to provide a general reference for the common market practice in recent right issue transactions by main board listed companies in Hong Kong. Set our below are the Comparables:

Company name	Stock code	Date	Approximately premium/ (discount) of the subscription price over/ to the closing price per share on the respective last trading day *(%)*	Approximately premium/ (discount) of the subscription price over/to the theoretical ex-rights price *(%)*	Underwriting commission *(%)*	Distribution ratio (approximate number of the entitled rights shares for each existing share held by the shareholders)
China Agri-Industries Holdings Ltd.	606	5/11/2012	(31.38)	(25.98)	0	0.30
Tack Fiori International Group Ltd.	928	4/11/2012	(40.48)	(31.13)	2.5	0.50
Qin Jia Yuan Media Services Co. Ltd.	2366	2/11/2012	(55.70)	(38.60)	2.5	1.00
Esprit Holdings Ltd.	330	22/10/2012	(35.70)	(27.00)	2.25	0.50
SIM Technology Group Ltd.	2000	5/10/2012	(55.56)	(45.50)	2	0.50
China Environmental Energy Investment Ltd.	986	4/10/2012	(72.97)	(57.45)	2.5	1.00
Goldin Financial Holdings Ltd.	530	27/9/2012	37.18	14.81	2.5	1.10
Pou Sheng International (Holdings) Ltd.	3813	21/9/2012	3.40	2.70	0	0.25

Company name	Stock code	Date	Approximately premium/ (discount) of the subscription price over/ to the closing price per share on the respective last trading day *(%)*	Approximately premium/ (discount) of the subscription price over/to the theoretical ex-rights price *(%)*	Underwriting commission *(%)*	Distribution ratio (approximate number of the entitled rights shares for each existing share held by the shareholders)
Daiwa Associate Holdings Ltd.	1037	19/8/2012	(52.38)	(46.81)	0	0.25
China Properties Investment Holdings Ltd.	736	25/7/2012	(63.44)	(53.74)	3	0.50
United Gene High-Tech Group Ltd.	399	26/6/2012	(29.03)	(24.14)	5	0.30
Bright Smart Securities & Commodities Group Ltd.	1428	25/6/2012	(20.29)	(14.46)	Not available	0.50
Hop Fung Group Holdings Ltd.	2320	24/5/2012	(56.10)	(45.95)	1	0.50
Skyfame Realty (Holdings) Ltd.	59	17/5/2012	(27.54)	(20.63)	3	0.50
		Maximum	37.18	14.81	5.00	1.10
		Minimum	(72.97)	(57.45)	0.00	0.25
		Average	(35.71)	(29.56)	2.02	0.55
		The Company	(75.61)	(34.07)	1	5.00

Source: the website of the Stock Exchange (www.hkex.com.hk)

As shown in the above table, the subscription prices of the Comparables ranged from premium of approximately 37.18% to discount of approximately 72.97% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the "**LTD Market Range**"). The discount of approximately 75.61% to the adjusted closing price of the Adjusted Shares on the Last Trading Day as represented by the Subscription Price (the "**LTD Discount**") is beyond the LTD Market Range and depict a deeper discount as compared to the average of approximately 35.71% of the LTD Market Range.

On the other hand, the subscription prices of the Comparables ranged from premium of approximately 14.81% to discount of approximately 57.45% to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the "**TERP Market Range**"). The discount of approximately 34.07% to the Theoretical Ex-rights Price as represented by the Subscription Price (the "**TERP Discount**") falls within the TERP Market Range whilst the TERP Discount falls above the average of approximately 29.56% of the Comparables.

We are aware that the discount of approximately 75.61% to the adjusted closing price of the Shares on the Last Trading Day represents a deeper discount as compared to the average of the Comparables. As a matter of fact, the basis of entitlement for the Comparables were all in a relatively low offer ratio. As advised by the Company, the Subscription Price and the terms of the Rights Issue were determined by the Company and the Underwriters after arm's length negotiations with reference to the scale of the Right Issue, the market price of the Shares and the prevailing market conditions. In order to provide incentives to the Qualifying Shareholders to subscribe for the Rights Shares, a certain degree of discount of the Subscription Price to the market price is necessary to attract more Qualifying Shareholders to participate the Rights Issue and the future development of the Group. We note that it is common for the listed issuers in Hong Kong to offer large discount of the subscription prices with the higher offer ratio to the shareholders in order to increase the attractiveness of a rights issue exercise. The Directors also confirmed that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company. Having considered that the Group had recorded continued losses for the recent years except for the financial year ended 31 March 2011, we are given to understand that the Company needs to set the Subscription Price at a deep discount with a high offer ratio to enhance the attractiveness of the Rights Issue.

In view of that (i) the TERP Discount falls within the TERP Market Range; (ii) it is commercially reasonable for the Company to offer a deep discount on the Subscription Price as a chance for the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purposes of maintaining their respective existing shareholding interests in the Company especially when the Shares had been illiquid in the open market and the price of the Shares showed a decreasing trend since February 2012; (iii) it is a common market practice to issue rights shares at a discount to the market price in order to enhance the attractiveness of a rights issue exercise and to encourage the existing shareholders to participate in a rights issue; (iv) the Subscription Price and the terms of the Rights Issue were determined by the Company and the Underwriters after arm's length negotiations with reference to the scale of the Right Issue, the market price of the Shares and the prevailing market conditions; (v) all Qualifying Shareholders are offered an equal opportunities to subscribe for the Right Shares at the Subscription Price which represents discount to market price; (vi) excess application is available for Qualifying Shareholders who would like to participate more in the future growth of the Group in a discounted Subscription Price; and (vi) the possibility of participating in the future benefits which may be brought about by business expansion and/or properties investment of the Group from the Right Issue, we concur with the Directors' view that the LTD Discount with a high offer ratio is acceptable to the Shareholders and, therefore, the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is interests of the Group and the Shareholders as a whole.

4. Underwriting arrangement

With reference to the Letter from the Board, the Underwriter has agreed to fully underwrite 136,652,250 Underwritten Shares (being all the 286,071,250 Rights Shares under the Rights Issue less the 149,419,000 Rights Shares which will be provisionally allotted to Landmark Profits and Goodco, and which Landmark Profits and Goodco have undertaken to accept) in accordance with the Underwriting Agreement. To the best of the knowledge, information and belief of the Director, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of Easyknit Enterprises and connected persons of Easyknit Enterprises. As at the Latest Practicable Date, the Underwriter is interested in 350 Existing Shares.

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

(i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and

(ii) the Underwriter shall use its best 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 Easyknit Enterprises, any of the Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

Commission

Easyknit Enterprises will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it (the "Underwriting Commission"). The Directors consider that the underwriting commission accords with market rates. From the table in the section headed "Comparison with other rights issue transactions", we noted that the Underwriting Commission falls within the range of 0% to 5% received by underwriters in other rights issue transactions. Given the above, we are of the opinion that the Underwriting Commission is in line with the common market practice.

5. Application for excess Rights Shares

As stated from the Letter from the Board, 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.

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles: (i) preference will be given to applications for topping-up odd lot holdings to whole lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; 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.

Taking into account the above terms of the Rights Issue and the Underwriting Agreement, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Potential dilution to Independent Shareholders' shareholdings

Set out below is the shareholding structure of the Company as at the Last Trading Date and immediately after completion of the Rights Issue:

Assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the Capital Reorganisation but before completion of the Rights Issue**		**Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)**		**Immediately after completion of the Rights Issue (assuming only Landmark Profits and Goodco take up their entitled Rights Shares) (Note)**	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Landmark Profits	261,889,480	22.89	13,094,474	22.89	78,566,844	22.89	78,566,844	22.89
Goodco	335,786,526	29.34	16,789,326	29.34	100,735,956	29.34	100,735,956	29.34
Public	546,608,656	47.77	27,330,433	47.77	163,982,598	47.77	27,330,433	7.96
Underwriter	350	0.00	17	0.00	102	0.00	136,652,267	39.81
Total	1,144,285,012	100.00	57,214,250	100.00	343,285,500	100.00	343,285,500	100.00

Note: This scenario is for illustrative purpose only.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their proportional shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market and those Qualifying Shareholders who wish to increase their proportional shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares. Shareholders should note that, in view of the low trading volume of the Shares, there is no assurance that the Qualifying Shareholders may dispose of their nil-paid rights in the market should they decide not to subscribe for the Rights Shares. Where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters are obligated to take up the unsubscribed Rights Shares, the proportional shareholding interests of the existing public Shareholders (other than the Landmark Profits and the Goodco) in the Company will be diluted by the maximum of 39.81 percentage point (being the difference between the shareholding interests of the existing public Shareholders (other than the Landmark Profits and the Goodco)) immediately before and after completion of the Rights Issue of 47.77% and 7.96% respectively assuming (i) the Capital Reorganisation has become effective; and (ii) no further issue of new Shares or repurchase of Shares on or before the Record Date.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercises since the higher rights issue ratio of new shares to existing shares is the greater the dilution on the shareholding would be.

Notwithstanding the aforementioned potential dilution to the existing public Shareholders' shareholding interests and the difficulty in the disposal of the nil-paid rights by the Qualifying Shareholders, we consider the potential dilution effects on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Right Issue to be acceptable and the Rights Issue to be fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following factors:

- the inherent dilutive nature of rights issue in general;

- the unaudited bank balances and cash of the Group had decreased to approximately HK$150 million as at 31 October 2012 after taking into account of the proceeds from the Previous Rights Issue of approximately HK$28.4 million, of which approximately RMB76 million (equivalent to approximately HK$92 million) were deposited in banks in the PRC;

- the Group is required to have ready access to large pools of capital at short notice to secure deals as Hong Kong property market is highly competitive, liquid and fast-moving;

- a considerable cash level is necessary for the Group to capture investment opportunities in a timely manner when they arise and for general working capital of the Group;

- the estimated net proceeds of approximately HK$113.03 million enable the Group to strengthen its capital base and to reserve cash for the Possible Property Acquisition or any appropriate investment for future business development as and when opportunities arise;

- the Subscription Price and the basis of the Rights Issue were arrived at after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions;

- the discount of the Subscription Price to the market price is necessary to encourage existing Shareholders to participate in the Rights Issue and the future development of the Group;

- Qualifying Shareholders have their choice whether to accept the Rights Issue or not;

- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares;

- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM.

7. Financial effects of the Rights Issue

Net tangible assets

According to the "Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group" set out in Appendix III to the Circular, the Group's unaudited pro forma adjusted consolidated net tangible assets will be increased, from approximately HK$623.2 million as at 31 March 2012 to approximately HK$736.2 million as adjusted for the Rights Issue, representing an increase of approximately 18.1%. Such increase is attributable to the estimated net proceeds from the Rights Issue and this improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

Liquidity

According to the 2012 Annual Report, the bank balances and cash of the Group were approximately HK$205.48 million as at 31 March 2012. With reference to the Letter from the Board, the unaudited bank balances and cash of the Group decreased to approximately HK$150 million as at 31 October 2012 after taking into account of the proceeds from the Previous Rights Issue of approximately HK$28.4 million. The net proceeds from the Right Issue shall bring in a net cash inflow of approximately HK$113.03 million to the Group and hence the cash position and financial liquidity of the Group is expected to improve upon the completion of the Right Issue.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the terms of each of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders to vote in favour of the relevant resolution at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Managing Director

1. DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Kwong Jimmy Cheung Tim	Flat F, 25th Floor Block 5, Hanford Garden 333 Castle Peak Road Castle Peak Bay 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

Name	Address
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 69, is an executive Director, chairman, and chief executive officer and authorised representative of the Company and chairman of the Executive Committee. He is also an executive director, president, chief executive officer and authorised representative, and chairman of the Executive Committee 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 serves as 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. In December 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 55, is an executive Director and deputy chairman of the Company and a member of the Executive Committee. She is also an executive director and vice president, and a member of the Executive Committee of Easyknit International. Ms. Lui has been involved in the textiles industry for a number of years and has experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 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 27, is an executive Director of the Company and a member of the Executive Committee since 2010. 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 Easyknit International. 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 54 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 many years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive Director and vice chairman in 2005, and was subsequently re-designated from vice chairman to chairman and appointed as chief executive officer in 2006. In 2007, Mr. Tse was re-designated from an executive Director to a non-executive Director of the Company and resigned as chairman and chief executive officer.

Independent Non-executive Directors

Mr. Kan Ka Hon

Mr. Kan, aged 61, is an independent non-executive Director of the Company since 2003. He is also a member and chairman of Audit Committee, Remuneration Committee and Nomination Committee. 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 many years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (stock code: 0539).

Mr. Lau Sin Ming

Mr. Lau, aged 51, is an independent non-executive Director of the Company since 2004. He is also a member and chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee. 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 many years of experience in accounting and auditing.

Mr. Foo Tak Ching

Mr. Foo, aged 78, is an independent non-executive Director of the Company since 2007. He is also a member and chairman of Nomination Committee, a member of Audit Committee and Remuneration Committee. 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.

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	Lee Po Wing *(LL.B.)*
Authorised representatives	Kwong Jimmy Cheung Tim Koon Ho Yan Candy

Legal advisers to the Company	*As to Hong Kong law:* Reed Smith Richards Butler 20th Floor Alexandra House 18 Chater House Central Hong Kong *As to Bermuda law:* Appleby 2206-19 Jardine House 1 Connaught Place, Central Hong Kong
Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 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	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Wing Hang Bank 161 Queen's Road Central Hong Kong

3. SHARE CAPITAL

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

Authorised:

20,000,000,000	Existing Shares	HK$200,000,000.00

Issued and fully-paid:

1,144,285,012	Existing Shares in issue as at the Latest Practicable Date	HK$11,442,850.12
57,214,250	Adjusted Shares in issue after the Capital Reorganisation becoming effective	HK$572,142.50
286,071,250	Rights Shares to be issued pursuant to the Rights Issue	HK$2,860,712.50
343,285,500	Adjusted Shares in issue immediately following the Rights Issue	HK$3,432,855.00

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 future 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 giving rights to subscribe for Shares.

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010 (pages 27-90), 2011 (pages 29-90) and 2012 (pages 40-134). They can be accessed on the website of the Company (www.easyknitenterp.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

The Directors are of the opinion that the Group has sufficient working capital for the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 30 September 2012, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$172,021,000, which were guaranteed by the Company and were secured by certain investment properties of the Group.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 30 September 2012 any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

A. 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 31 March 2012. 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 unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2012 as extracted from the prospectus of the Group dated 11 September 2012 (the "Previous RI Prospectus"), which was prepared to illustrate the pro forma effect of the rights issue of shares of the Company which was completed on 3 October 2012 (the "Previous Rights Issue"), and is adjusted for the effect of the Rights Issue.

Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2012	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets as adjusted for the Rights Issue per Share
(Note 1)	*(Note 2)*		*(Note 3)*
HK$'000	*HK$'000*	*HK$'000*	*HK$*
623,164	113,029	736,193	2.213

Notes:

1. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2012 amounting to HK$623,164,000 is extracted from the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2012 as set out in Section A of Appendix III to the Previous RI Prospectus.

2. The estimated net proceeds from the Rights Issue are based on 286,071,250 Rights Shares of HK$0.01 each at HK$0.40 per Rights Share on the basis of five Rights Shares for every one Adjusted Share of the Company held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK$1.4 million to be incurred by the Company.

3. The number of Shares used for the calculation of this amount is 332,677,000, representing 46,605,750 Adjusted Shares and 286,071,250 Rights Shares. The number of 46,605,750 Adjusted Shares is calculated based on 550,686,675 Existing Shares in issue as at 31 March 2012 and 381,428,337 rights shares (details as set out in the Previous RI Prospectus) and adjusted for the Capital Reorganisation which involves, among others, the consolidation of every twenty issued and unissued Existing Shares into one Consolidated Share and the reduction of the par value of each issued Consolidated Share from HK$0.20 to HK$0.01.

   As at 31 March 2012, the unaudited pro forma adjusted consolidated net tangible assets as adjusted for the Previous Rights Issue is HK$0.669 per share (as set out in the Previous RI Prospectus which has not taken into account of the effect of the Capital Reorganisation) which, assuming the Previous Rights Issue and the Capital Reorganisation had been completed on 31 March 2012, would have been HK$13.371 based on 46,605,750 Adjusted Shares.

4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2012.

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

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
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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 proposed rights issue of 286,071,250 rights shares of HK$0.01 each at HK$0.40 per rights share on the basis of five rights shares for every one adjusted share of the Company might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section A of Appendix III to the circular of the Company dated 15 November 2012 (the "Circular"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Section A of Appendix III to the Circular.

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 purpose 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 purpose 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 future and may not be indicative of the financial position of the Group as at 31 March 2012 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
15 November 2012

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

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

Name of Director	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust *(note i)*	597,676,006	52.23%
Ms. Koon Ho Yan Candy *(note ii)*	Beneficiary of a trust	597,676,006	52.23%

Notes:

(i) These Shares were respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are wholly-owned subsidiaries 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 is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

(ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(c) Directors' interests in competing business

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	*Note*	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
Koon Wing Yee	*i*	Interest of spouse	597,676,006	52.23%
Landmark Profits	*i & ii*	Beneficial owner	261,889,480	22.89%
Goodco	*i & ii*	Beneficial owner	335,786,526	29.34%
Easyknit International	*i & ii*	Interest of controlled corporation	597,676,006	52.23%
Magical Profits Limited	*i & iii*	Interest of controlled corporation	597,676,006	52.23%
Accumulate More Profits Limited	*i*	Interest of controlled corporation	597,676,006	52.23%
Hang Seng Bank Trustee International Limited	*i & iv*	Trustee	597,676,006	52.23%
Hang Seng Bank Limited	*iv*	Interest of controlled corporation	597,676,006	52.23%
The Hongkong & Shanghai Banking Corporation Limited	*iv*	Interest of controlled corporation	597,676,006	52.23%
HSBC Asia Holdings BV	*iv*	Interest of controlled corporation	597,676,006	52.23%

Name of Shareholder	*Note*	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
HSBC Asia Holdings (UK) Limited	*iv*	Interest of controlled corporation	597,676,006	52.23%
HSBC Holdings BV	*iv*	Interest of controlled corporation	597,676,006	52.23%
HSBC Finance (Netherlands)	*iv*	Interest of controlled corporation	597,676,006	52.23%
HSBC Holdings plc	*iv*	Interest of controlled corporation	597,676,006	52.23%
Kingston Securities Limited	*v*	Other	136,652,267	39.81%
Galaxy Sky Investments Limited	*v*	Interest of controlled corporation	136,652,267	39.81%
Kingston Capital Asia Limited	*v*	Interest of controlled corporation	136,652,267	39.81%
Kingston Financial Group Limited	*v*	Interest of controlled corporation	136,652,267	39.81%
Active Dynamic Limited	*v*	Interest of controlled corporation	136,652,267	39.81%
Chu Yuet Wah	*v*	Interest of controlled corporation	136,652,267	39.81%

Notes:

(i) The 597,676,006 Shares related to the same block of Shares in the Company of which 261,889,480 Shares and 335,786,526 Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are the wholly-owned subsidiaries 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 was 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). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 597,676,006 Shares by virtue of the SFO.

(ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors of the Company, are also directors of Landmark Profits, Goodco and Easyknit International. Ms. Koon Ho Yan Candy, being a Director of the Company, is also a director of Easyknit International.

(iii) Ms. Lui Yuk Chu, being a Director of the Company, is also a director of Sea Rejoice Limited and Magical Profits 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 and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

(v) Out of 136,652,267 Shares, 136,652,250 Shares are the Underwritten Shares in respect of the Rights Issue. The Underwriter is interested in the remaining 17 Adjusted Shares. Kingston Securities Limited is wholly-owned by Galaxy Sky Investment Limited which in turn is wholly-owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is 100% owned by Kingston Financial Group Limited which is 40.24% 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 were not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. EXPENSES

The estimated expenses in connection with the Capital Reorganisation and the Rights Issue (including but not limited to the underwriting commission, printing, registration, financial advisory, legal, professional and accounting charges) are approximately HK$1.4 million and are payable by the Company.

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

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

(a) the underwriting agreement dated 4 January 2011 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 183,562,225 rights share at the subscription price of HK$0.35 per rights share on the basis of one rights share for every two Shares held;

(b) the renewal of the tenancy agreement dated 15 June 2011 entered into between Easyknit Global Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary Easyknit International, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a year at a monthly rental of HK$206,800;

(c) the provisional sale and purchase agreements dated 16 February 2012 entered into between Top Channel Enterprises Limited ("Top Channel"), an indirect wholly-owned subsidiary of the Company, as purchaser and Lai Wai Ha, Ng Yu Kwong, Ng Siu Lan Clara and Ng Siu Yuen Veronica as vendors in relation to the acquisition of a property being the Ground Floor of No. 6 Cannon Street, Causeway Bay, Hong Kong for a consideration of HK$180,000,000;

(d) the formal sale and purchase agreement dated 9 March 2012 entered into between Top Channel as purchaser and Lai Wai Ha, Ng Yu Kwong, Ng Siu Lan Clara and Ng Siu Yuen Veronica as vendors in relation to the acquisition of a property being the Ground Floor of No. 6 Cannon Street, Causeway Bay, Hong Kong for a consideration of HK$180,000,000;

(e) the provisional sale and purchase agreement dated 18 April 2012 entered into between Main Lucky Enterprises Limited ("Main Lucky"), an indirect wholly-owned subsidiary of the Company, as purchaser and Li Christina Shuk Ching and Chan Wai Ching Ivy as vendors in relation to the acquisition of a property being the 1st Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$19,000,000;

(f) the formal sale and purchase agreement dated 27 April 2012 entered into between Main Lucky as purchaser and Li Christina Shuk Ching and Chan Wai Ching Ivy as vendors in relation to the acquisition of a property being the 1st Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$19,000,000;

(g) the provisional sale and purchase agreement dated 27 April 2012 entered into between Main Lucky as purchaser and Fung Yuet Ho as vendor in relation to the acquisition of a property being the 2nd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,800,000;

(h) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Chan Sun Sang Tony as vendor in relation to the acquisition of a property being the 3rd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,700,000;

(i) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Chan Kwai Sang and Chan Wai Ching Ivy as vendors in relation to the acquisition of a property being the 4th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,500,000;

(j) the provisional sale and purchase agreement dated 30 April 2012 entered into between Main Lucky as purchaser and Lee Ho Yee and Chan Wai Pong as vendors in relation to the acquisition of a property being the 5th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,000,000;

(k) the formal sale and purchase agreement dated 4 May 2012 entered into between Main Lucky as purchaser and Lee Ho Yee and Chan Wai Pong as vendors in relation to the acquisition of a property being the 5th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,000,000;

(l) the formal sale and purchase agreement dated 7 May 2012 entered into between Main Lucky as purchaser and Chan Sun Sang Tony as vendor in relation to the acquisition of a property being the 3rd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,700,000;

(m) the formal sale and purchase agreement dated 7 May 2012 entered into between Main Lucky as purchaser and Chan Kwai Sang and Chan Wai Ching Ivy as vendors in relation to the acquisition of a property being the 4th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,500,000;

(n) the formal sale and purchase agreement dated 11 May 2012 entered into between Main Lucky as purchaser and Fung Yuet Ho as vendor in relation to the acquisition of a property being the 2nd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,800,000;

(o) an assignment dated 16 May 2012 entered into between Top Channel as purchaser and Lai Wai Ha, Ng Yu Kwong, Ng Siu Lan Clara and Ng Siu Yuen Veronica as vendors in relation to the acquisition of a property being the Ground Floor of No. 6 Cannon Street, Causeway Bay, Hong Kong for a consideration of HK$180,000,000;

(p) an assignment dated 16 May 2012 entered into between Main Lucky as purchaser and Li Christina Shuk Ching and Chai Wai Ching Ivy as vendors in relation to the acquisition of a property being the 1st Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$19,000,000;

(q) the placing agreement dated 30 May 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 97,470,000 new Shares of the Company at a placing price of HK$0.141 per Share;

(r) an assignment dated 8 June 2012 entered into between Main Lucky as purchaser and Chan Sun Sang Tony as vendor in relation to the acquisition of a property being the 3rd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,700,000;

(s) an assignment dated 11 June 2012 entered into between Main Lucky as purchaser and Fung Yuet Ho as vendor in relation to the acquisition of a property being the 2nd Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$16,800,000;

(t) an assignment dated 8 June 2012 entered into between Main Lucky as purchaser and Chan Kwai Sang and Chan Wai Ching Ivy as vendors in relation to the acquisition of a property being the 4th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,500,000;

(u) an assignment dated 11 June 2012 entered into between Main Lucky as purchaser and Lee Ho Yee and Chan Wai Pong as vendors in relation to the acquisition of a property being the 5th Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK$14,000,000;

(v) the placing agreement dated 18 July 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 114,700,000 new Shares of the Company at a placing price of HK$0.106 per Share;

(w) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 right shares of the Company at a subscription price of HK$0.077 per Share;

(x) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary Easyknit International, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for 3 years at a monthly rental at HK$208,000; and

(y) the Underwriting Agreement.

10. EXPERTS AND CONSENTS

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

Name and Address	Qualification
Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong	Certified Public Accountants
Messis Capital Limited Room 2002, 20th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance regulated activity as defined under the SFO)

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

(a) any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

11. GENERAL

(a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field;

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong; and

(d) The English text of this circular 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 for a period of 14 days from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the letters of consent referred to in the paragraph headed "Experts and consents" above;

(c) the material contracts referred to in the paragraph headed "Material Contracts" above;

(d) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix III to this circular;

(e) the annual reports of the Company for each of the three financial years ended 31 March 2010, 31 March 2011 and 31 March 2012;

(f) the circular of the Company dated 25 June 2012 in respect of a major transaction involving the acquisition of 4 properties situated at No. 15 Matheson Street, Causeway Bay, Hong Kong for a total consideration of HK$62,000,000; and

(g) this circular.

EASYKNIT ENTERPRISES HOLDINGS LIMITED
永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

NOTICE IS HEREBY GIVEN that the special general meeting of Easyknit Enterprises Holdings Limited（永義實業集團有限公司）(the "**Company**") will be held at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Monday, 10 December 2012, at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as special and ordinary resolutions of the Company:

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon, (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agree to grant the listing of and permission to deal in the Reorganised Shares (as defined below); and (ii) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended), with effect from 9:00 a.m. on Tuesday, 11 December 2012 (Hong Kong time) or such time or such other date and/or time as the directors of the Company may determine:

   (a) every twenty (20) issued and unissued ordinary shares of par value HK$0.01 each in the authorised share capital of the Company be consolidated into one (1) ordinary share of par value HK$0.20 (the "**Consolidated Share(s)**") (the "**Share Consolidation**");

   (b) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK$0.19 on each of the issued Consolidated Shares such that the par value of each of the issued Consolidated Shares be reduced from HK$0.20 to HK$0.01 (the "**Issued Capital Reduction**") and the par value of all Consolidated Shares in the authorised share capital of the Company be reduced from HK$0.20 each to HK$0.01 each, resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 1,000,000,000 Consolidated Shares to HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each (the "**Authorised Capital Reduction**");

* *For identification only*

(c) the authorised share capital of the Company be increased from HK$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 ordinary shares of par value HK$0.01 each (the "**Reorganised Shares**") (the "**Capital Increase**");

(d) the credit amount arising from the Issued Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the "**Directors**") be and are hereby authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against accumulated losses of the Company) (the "**Authorisation**"); and

(e) the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to give effect and implement the Share Consolidation, the Issued Capital Reduction, the Authorised Capital Reduction and the Capital Increase."

ORDINARY RESOLUTION

2. "**THAT**

(a) subject to and conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, "Rights Issue" means the proposed issue by way of rights issue of 286,071,250 Reorganised Shares (the "**Rights Shares**") at a subscription price of HK$0.40 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company on Monday, 17 December 2012 (Hong Kong time) (the "**Record Date**") (other than those shareholders (the "**Non-Qualifying Shareholders**") whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, after making the relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of five (5) Rights Shares for every one (1) Reorganised Share then held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**" including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked "A" and initialled by the chairman of this Meeting for the purpose of identification) dated 11 October 2012 and made between the Company, and Kingston Securities Limited as underwriter (the "**Underwriter**");

(b) any Director of the Company be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved; and

(d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder."

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

Hong Kong, 15 November 2012

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

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

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.