
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

If you have sold or transferred all your shares in Easyknit Enterprises Holdings Limited (“Company”), you should at once hand this Prospectus and the accompanying provisional allotment letter and the form of application for excess Rights Shares, to the purchaser or transferee, or bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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

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



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

Underwriter of the Rights Issue



KINGSTON SECURITIES LTD.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, inter alia, the fulfillment and/or waiver (where applicable) of the conditions set out under the sub-paragraph headed “Conditions of the Rights Issue” on pages 22 to 23 of this Prospectus. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed “Termination of the Underwriting Agreement?” on pages 8 to 9 of this Prospectus. Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors of the Company should exercise caution when dealings in the Shares. Any dealings in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and/or waived (as applicable) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases), and any dealings in the Rights Shares in their nil-paid form from Friday, 31 May 2013 to Friday, 7 June 2013 (both dates inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares and/or the Rights Shares (in their nil-paid form) are advised to consult their own professional advisers.

The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on Thursday, 13 June 2013. The procedures for acceptance and payment or transfer of the Rights Shares are set out on pages 14 to 15 of this Prospectus.

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EXPECTED TIMETABLE

Expected timetable for the Rights Issue is set out below:—

Event	2013 (Hong Kong time)
First day of dealings in nil-paid Rights Shares	Friday, 31 May
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Tuesday, 4 June
Last day of dealing in nil-paid Rights Shares	Friday, 7 June
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Thursday, 13 June
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 19 June
Announcement of results of the Rights Issue	Friday, 21 June
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Monday, 24 June
Certificates for fully-paid Rights Shares to be despatched on or before	Monday, 24 June
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 25 June

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

EXPECTED TIMETABLE

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.

DEFINITIONS

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

“Acceptance Time”	4:00 p.m. on Thursday, 13 June 2013 (or such other time or date as the Underwriter may agree in writing with EE as the latest date for acceptance of, and payment of, Rights Shares)
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of EE
“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 EE from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “EE”	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
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of EE

DEFINITIONS

“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EI”	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
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of EI, being a substantial shareholder (as defined in the Listing Rules) of EE
“Group”	EE and its subsidiaries
“HKSCC”	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 Shareholders”	the Shareholders, other than Landmark Profits and Goodco, who are not involved in nor interested in the Underwriting Agreement
“Joint Announcement”	the joint announcement of the Company and EI dated 5 April 2013 in relation to, among other things, the change in board lot size and the Rights Issue
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of EI, being a substantial shareholder (as defined in the Listing Rules) of EE
“Last Trading Day”	5 April 2013, being the date of entering into the Underwriting Agreement
“Latest Practicable Date”	24 May 2013, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus

DEFINITIONS

“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 EE 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, 29 May 2013, or such other day as may be agreed between EE and the Underwriter, being the date of despatch of the Prospectus Documents
“PRC”	The People’s Republic of China
“Prospectus”	this prospectus issued by EE in relation to the Rights Issue
“Prospectus Documents”	this Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of EE at the close of business on the Record Date
“Record Date”	Friday, 24 May 2013 or such other date as the Underwriter may agree in writing with EE 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

DEFINITIONS

“Rights Issue”	the 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)”	1,235,824,500 Shares to be offered to the Qualifying Shareholders for subscription on the basis of three (3) Rights Shares for every one (1) Share held at the Record Date pursuant to Rights Issue
“Settlement Date”	Wednesday, 19 June 2013, being the fourth Business Day following the Acceptance Time or such later date as EE 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 the Company convened and held on Thursday, 16 May 2013 to consider and approve, if thought fit, among other things, the Rights Issue
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of EE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 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
“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong with a saleable area of approximately 700 sq.ft; and is now occupied as a retail shop

DEFINITIONS

“Undertakings”	the conditional irrevocable undertakings dated 5 April 2013 from Landmark Profits and Goodco to EE and the Underwriter as described in the section headed “Undertakings from Landmark Profits and Goodco” in this Prospectus
“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 5 April 2013 entered into between EE and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	697,916,100 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
“USA”	the United States of America
“%”	percentage

TERMINATION OF THE UNDERWRITING AGREEMENT

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 EE 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) EE 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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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) EE 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 EE, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to EE 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 EE 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 EE shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by EE pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

LETTER FROM THE BOARD



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 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

29 May 2013

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

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Joint Announcement and the circular of the Company dated 30 April 2013 relating to the Rights Issue.

* For identification only

LETTER FROM THE BOARD

On 5 April 2013, the Board proposed, inter alia, to raise approximately HK\$123.6 million before expenses, by way of a Rights Issue of 1,235,824,500 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date. EE plans to use the net proceeds of approximately HK\$122.0 million from the Rights Issue for the acquisition of the Target Property, or should the acquisition fail to materialise, for acquisition of other properties at the time when EE has insufficient financial resources to fund such activities in a timely manner. The excess funds, if any, over the eventual consideration of the Target Property will be used as general working capital of the Group.

As at the SGM held on Thursday, 16 May 2013, the necessary resolution approving, among other things, the Rights Issue, was duly passed by the Independent Shareholders by way of poll.

The purpose of this Prospectus is to provide you with, among other things, further details about the Rights Issue.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	411,941,500 Shares
Number of Rights Shares	:	1,235,824,500 Rights Shares
Aggregate nominal value of Rights Shares	:	HK\$12,358,245
Fund raised before expenses	:	HK\$123,582,450
Underwriter	:	Kingston Securities Limited

The number of Rights Shares to be issued pursuant to the Rights Issue represents 3 times the issued share capital of the Company and 75% of enlarged issued share capital of the Company immediately following the completion of the Rights Issue.

LETTER FROM THE BOARD

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

Basis of provisional allotment

The basis of the provisional allotment will be three (3) Rights Shares for every one (1) Share in issue and held on Record Date at the Subscription Price.

Subscription Price

The Subscription Price is HK\$0.10 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 46.52% to the closing price of HK\$0.187 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 45.83% to the average closing price of approximately HK\$0.1846 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 17.90% to the theoretical ex-rights price of approximately HK\$0.1218 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.187 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iv) a discount of approximately 15.25% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

LETTER FROM THE BOARD

The net Subscription Price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.0987 per Rights Share.

Status of the Rights Shares

The Rights Shares, when issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all 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.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Qualifying Shareholders

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

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

Shareholders with registered addresses outside Hong Kong or Bermuda

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

LETTER FROM THE BOARD

Based on the register of members of the Company as at the Latest Practicable Date, there was 1 Shareholder with a registered address in Malaysia, and 4 Shareholders with registered addresses in Macau.

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

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

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

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

Procedure for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon.

If the Qualifying Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Thursday, 13 June 2013. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Easyknit Enterprises Holdings Limited — Rights Issue Account**" and crossed "**Account Payee Only**". Any payment for the Rights Shares should be rounded down to 2 decimal points.

LETTER FROM THE BOARD

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Thursday, 13 June 2013, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL.

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

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the entire and original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Tuesday, 4 June 2013 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required.

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

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to their registered addresses at the risk of such applicants on or before Monday, 24 June 2013.

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.

LETTER FROM THE BOARD

Qualifying Shareholders who wish to apply for any Rights Shares in addition to their provisional allotment must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Thursday, 13 June 2013. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, and cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “**Easyknit Enterprises Holdings Limited — Excess Application Account**” and crossed “**Account Payee Only**”. The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which allotments will be at the discretion of the Directors on a fair and equitable basis. The Directors will allocate the excess Rights Shares at their discretion with reference to the level of acceptances of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for topping-up odd 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.

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

The latest time for acceptance of Rights Shares and the application for excess Rights Shares as well as respective payment thereof is expected to be at 4:00 p.m. on Thursday, 13 June 2013, or such later date or time as may be agreed between the Company and the Underwriter.

If no excess Rights Shares are allotted to an applicant for excess Rights Shares or the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to the registered addresses at the risk of such applicants on or before Monday, 24 June 2013.

LETTER FROM THE BOARD

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

The EAF is for use only by the person(s) to whom it is addressed and is not transferable.

All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in the Rights Shares, in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil-paid form in board lots of 20,000 will commence on Friday, 31 May 2013 and will end on Friday, 7 June 2013, both days inclusive.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both of which will be traded in board lots of 20,000 Shares, registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty and other applicable fees in Hong Kong.

Non-Qualifying Shareholders

The Company 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. The Company 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.

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 Monday, 24 June 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 Monday, 24 June 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 Tuesday, 25 June 2013.

Taxation

Qualifying Shareholders should consult their professional advisers to the tax implications of the holding or disposal of, or dealings in the Rights Shares in both their nil-paid and fully-paid forms. It is emphasised that none of the Company, the Directors or any parties involved in the Rights Issue accepts responsibility for any tax effect or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite 697,916,100 Underwritten Shares (being all the 1,235,824,500 Rights Shares under the Rights Issue less the 537,908,400 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 the Company and connected persons of the Company. As at the Latest Practicable Date, the Underwriter is interested in 17 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 EE to exceed 19.9% of the voting rights of EE 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 EE, any of the Directors or chief executive or substantial shareholders of EE or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by EE upon completion of the Rights Issue.

Subscribers of the Underwritten Shares may or may not become substantial shareholders of EE upon completion of the Rights Issue. In the event any of the subscribers becomes a substantial shareholder upon completion of the Rights Issue, further announcement will be made by EE.

Commission

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors consider that the underwriting commission accords with market rates.

LETTER FROM THE BOARD

Undertakings from Landmark Profits and Goodco

As at the Latest Practicable Date, EI, through Landmark Profits and Goodco, are interested in 179,302,800 Shares, representing approximately 43.52% of the total issued share capital of the Company. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have given the Undertakings in favour of the Company and the Underwriter where, among other things, (1) Landmark Profits and Goodco will subscribe for the 235,700,532 Rights Shares and 302,207,868 Rights Shares respectively to which they will be entitled pursuant to the terms of the Rights Issue; (2) the Shares comprising their current shareholding in the Company will remain registered in their respective names at the Record Date as they are on the date of the Undertakings; and (3) they will procure that their applications in respect of their 235,700,532 Rights Shares and 302,207,868 Rights Shares respectively comprising their respective entitlements under the Rights Issue will be lodged with the Registrar of the Company, with payment in full therefor, by no later than the Acceptance Time and otherwise in accordance with the instructions printed on the PAL(s).

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 Undertakings 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 EE 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 USA) 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

LETTER FROM THE BOARD

- (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) EE 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) EE 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 EE, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to EE 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 EE 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 EE shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by EE pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

LETTER FROM THE BOARD

Conditions of the Rights Issue

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

- (i) the passing of the resolution at the SGM to approve the Rights Issue;
- (ii) the registration by and filing with the Registrar of Companies in Hong Kong and Bermuda of the Prospectus Documents and the Prospectus respectively;
- (iii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (iv) compliance with and performance by the Company of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (v) 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;
- (vi) 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;
- (vii) delivery by the Company 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 subject to relevant regulatory approval under the Listing Rules or otherwise being obtained (if required); and
- (viii) 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) and (iii) above are not fulfilled and/or waived (other than conditions (i) 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 (iv),

LETTER FROM THE BOARD

(v), (vi) and (vii) above have not been satisfied/or waived (other than condition (v) 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 the Company 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 EE) and the Undertakings will lapse and the Rights Issue will not proceed.

As at the Latest Practicable Date, condition (i) has been fulfilled.

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 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 1)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Landmark Profits	78,566,844	19.07	314,267,376	19.07	314,267,376	19.07
Goodco	100,735,956	24.45	402,943,824	24.45	402,943,824	24.45
Public	232,638,683	56.48	930,554,732	56.48	232,638,683	14.12
Underwriter	17	0.00	68	0.00	697,916,117	42.36
Total	<u>411,941,500</u>	<u>100.00</u>	<u>1,647,766,000</u>	<u>100.00</u>	<u>1,647,766,000</u>	<u>100.00</u>

Note:

1. 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 EE to exceed 19.9% of the voting rights of EE upon the completion of the Rights Issue; and

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- (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 EE, any of the Directors or chief executive or substantial shareholders of EE or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by EE upon completion of the Rights Issue.

Subscribers of the Underwritten Shares may or may not become substantial shareholders of EE upon completion of the Rights Issue. In the event any of the subscribers becomes a substantial shareholder upon completion of the Rights Issue, further announcement will be made by EE.

2. The percentages are subject to rounding error.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Background of the Company

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

Use of proceeds from the Rights Issue

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$123.6 million and HK\$122.0 million respectively. The Company intends to apply such net proceeds from the Rights Issue for the acquisition of the below-mentioned Target Property, or should the acquisition fail to materialise, for acquisition of other properties at the time when EE has insufficient financial resources to fund such activities in a timely manner. The excess funds, if any, over the eventual consideration of the Target Property will be used as general working capital of the Group.

The Target Property

EE is the majority owner of a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong, which exceeds 50 years of age. The building comprises 5 units on the first to fifth floors (ie. approximately 83.33% of the undivided shares of that building) and the Target Property on the ground floor. EE's purchases of the aforesaid 5 units were completed in June 2012 at a total consideration of HK\$81 million. The Board began to form a more focused intention to acquire the Target Property in October 2012. Negotiations with the owner of the Target Property had been conducted from time to time, however, neither definitive agreements nor terms had been entered into between the Company and the owner of the Target Property.

LETTER FROM THE BOARD

On 20 December 2012, the Company had, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes of redevelopment. According to the legal advisers of the Company, the grant of sale order and public auction may require about nine months from the date of application. The timing will depend on, amongst others, the response time by the owner of the Target Property.

The Directors however noted that it is possible that an agreement may be reached before the courts grant an order for sale (negotiations with the owner of the Target Property have been conducted simultaneously with the aforesaid application). Pursuant to the hearing for direction at the Lands Tribunal on 21 February 2013, the Company is now in the process of mediation with the owner of the Target Property.

Based on the valuation report conducted by an independent third party valuer, the existing use value of the Target Property was approximately HK\$136.0 million as at 18 December 2012. Meanwhile, the asking price indicated in early November 2012 by a property agent purportedly acting on behalf of the owner of the Target Property was HK\$230.0 million.

The Directors are also aware of the actual transactions of properties nearby. Applying their per square foot prices to the saleable area of the Target Property, they may translate into prices ranging from approximately HK\$160.0 million to HK\$300.0 million. The Directors however do note that the market prices of retail properties, despite being in the same vicinity, may vary depending on specific factors such as facing to streets.

The Board confirmed that a total of approximately HK\$157.0 million raised through previous fund raising activities has thus far been earmarked for the acquisition of the Target Property. Having considered the facts above, namely (i) the aforementioned sale order and public auction by the Lands Tribunal may be granted in mid-September 2013, which is not far from the expected completion time of the proposed Rights Issue in mid to late June 2013 as scheduled; and (ii) it is possible that an agreement may be reached with the owner of the Target Property before the courts grant the sale order, the Directors are of the view that it is prudent for the Company to conduct the Rights Issue at the current time in order to obtain the necessary funding to prepare for the potential acquisition of or the possible public auction for the Target Property, as the case may be.

The Board considers that the funds raising from the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the best interests of EE and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholders should note that neither definitive agreements nor terms have been entered into with the owner of the Target Property 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 materialised, 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 (i) the Shareholders' shareholding interests in the Company if they do not subscribe for their pro-rata Rights Shares and (ii) the share price of the Company. 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;
- offering certain discount on the Subscription Price would encourage Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and it is not an uncommon practice in rights issue arrangement on the Stock Exchange;
- 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.

LETTER FROM THE BOARD

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 and the share price of the Company, 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, EE 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) general working capital of the Group of HK\$11.7 million
15 August 2012	Rights issue	HK\$28.4 million	(i) General working capital of the Group of HK\$14.2 million, and (ii) HK\$14.2 million for the acquisition of Target Property	(i) general working capital of the Group of HK\$14.2 million; and (ii) the remaining to be applied as intended

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Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of proceeds	Actual use of proceeds (approximately)
11 October 2012	Rights issue	HK\$113.03 million	For the acquisition of Target Property	To be applied as intended
28 January 2013	Placing of new shares under general mandate	HK\$29.8 million	For the acquisition of Target Property	To be applied as intended

BUSINESS REVIEW OF THE GROUP

During the year ended 31 March 2012, the Group was principally engaged in property investment, garment sourcing and export businesses, 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 ended 31 March 2012, 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.

LETTER FROM THE BOARD

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 mid 2013.

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.

LETTER FROM THE BOARD

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

The Shares has been dealt in on an ex-rights basis from Tuesday, 21 May 2013. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 31 May 2013 to Friday, 7 June 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 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 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, 31 May 2013 to Friday, 7 June 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

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

ADDITIONAL INFORMATION

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

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

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

Kwong Jimmy Cheung Tim

Flat 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 70, 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 EI. 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 EI. 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 56, 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 EI. 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 EI. 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 28, 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 EI. 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 55, is a non-executive Director of the Company. He is also a non-executive director of EI. 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 62, 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 79, 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 (<i>LL.B.</i>)
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
26 Burnbay Street,
Hamilton HM 11
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 Rights Issue are expected to be as follows:

Authorised:

<u>20,000,000,000</u>	Shares as at the Latest Practicable Date and immediately following the Rights Issue	<u>HK\$200,000,000.00</u>
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Issued and fully-paid:

<u>411,941,500</u>	Shares in issue as at the Latest Practicable Date	<u>HK\$4,119,415.00</u>
<u>1,235,824,500</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>HK\$12,358,245.00</u>
<u>1,647,766,000</u>	Shares in issue immediately following the Rights Issue	<u>HK\$16,477,660.00</u>

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Rights Shares to be issued pursuant to the Rights Issue, when issued and fully paid, 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 on or after the allotment 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). The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2012 are disclosed in the 2012 interim report of the Company for the six months ended 30 September 2012 (pages 21 to 52). 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, after taking into account of its present available financial resources and the estimated net cash proceeds from the Rights Issue, the Group has sufficient working capital for the next 12 months from the date of this Prospectus in the absence of unforeseen circumstances.

3. INDEBTEDNESS

At the close of business on 30 April 2013, being the latest practicable date for ascertaining this information prior to the printing of the Prospectus, the Group had outstanding bank borrowings of approximately HK\$168.1 million, 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 April 2013 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 30 September 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 consolidated net tangible assets of the Group as at 30 September 2012 as extracted from the published interim report of the Group for the six months ended 30 September 2012 and is adjusted for the effect of the Rights Issue.

Unaudited consolidated net tangible assets of the Group as at 30 September 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
<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
<u>624,915</u>	<u>122,082</u>	<u>746,997</u>	<u>0.586</u>

Notes:

- The unaudited consolidated net tangible assets of the Group as at 30 September 2012 is based on the net tangible assets of the Group amounting to HK\$624,915,000 extracted from the published interim report of the Group for the six months ended 30 September 2012.
- The estimated net proceeds from the Rights Issue are based on 1,235,824,500 Rights Shares of HK\$0.01 each at HK\$0.10 per Rights Share on the basis of three Rights Shares for every one Share of the Company held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$1.5 million to be incurred by the Company.

3. The number of Shares used for the calculation of this amount is 1,273,967,333, representing 38,142,833 adjusted shares and 1,235,824,500 Rights Shares. The number of 38,142,833 adjusted shares is calculated based on 762,856,675 pre-adjusted shares in issue as at 30 September 2012 and adjusted for the capital reorganisation of the Company (including, among others, share consolidation and capital reduction) which became effective at 9:00 am on 11 December 2012 (details as set out in the Company's circular dated 15 November 2012 and announcement dated 10 December 2012). As at 30 September 2012, the consolidated net tangible assets per pre-adjusted share is HK\$0.819 and the consolidated net tangible assets per adjusted share is HK\$16.38. The amount of the unaudited consolidated net tangible assets of the Group as at 30 September 2012 does not take into account the proceeds from (a) rights issue of 381,428,337 rights shares which became effective on 3 October 2012, (b) rights issue of 286,071,250 rights shares which became effective on 11 January 2013 and (c) placement of 68,656,000 Shares which became effective on 18 February 2013; and the number of 762,856,675 pre-adjusted shares and 38,142,833 adjusted shares do not take into account the number of pre-adjusted shares and shares issued pursuant to these rights issues and placement.
4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2012.

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

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue of 1,235,824,500 rights shares of HK\$0.01 each at HK\$0.10 per rights share on the basis of three rights shares for every one 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 prospectus of the Company dated 29 May 2013 (the “Prospectus”). 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 Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the 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 30 September 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

29 May 2013

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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)	179,302,800	43.52%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (note ii)	179,302,800	43.52%

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 EI. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of EI. 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).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

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 the Prospectus 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	<i>Note</i>	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	179,302,800	43.52%
Landmark Profits	<i>i & ii</i>	Beneficial owner	78,566,844	19.07%
Goodco	<i>i & ii</i>	Beneficial owner	100,735,956	24.45%
EI	<i>i & ii</i>	Interest of controlled corporation	179,302,800	43.52%
Magical Profits Limited	<i>i & iii</i>	Interest of controlled corporation	179,302,800	43.52%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	179,302,800	43.52%
Hang Seng Bank Trustee International Limited	<i>i & iv</i>	Trustee	179,302,800	43.52%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
HSBC Asia Holdings (UK) Limited	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
HSBC Holdings BV	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
HSBC Finance (Netherlands)	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
HSBC Holdings plc	<i>iv</i>	Interest of controlled corporation	179,302,800	43.52%
Kingston Securities Limited	<i>v</i>	Other	697,916,117	42.35%
Galaxy Sky Investments Limited	<i>v</i>	Interest of controlled corporation	697,916,117	42.35%
Kingston Capital Asia Limited	<i>v</i>	Interest of controlled corporation	697,916,117	42.35%
Kingston Financial Group Limited	<i>v</i>	Interest of controlled corporation	697,916,117	42.35%
Active Dynamic Limited	<i>v</i>	Interest of controlled corporation	697,916,117	42.35%
Chu Yuet Wah	<i>v</i>	Interest of controlled corporation	697,916,117	42.35%

Notes:

- (i) The 179,302,800 Shares related to the same block of Shares in the Company of which 78,566,844 Shares and 100,735,956 Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are the wholly-owned subsidiaries of EI. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of EI. 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 the Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 179,302,800 Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being executive Directors, are also directors of Landmark Profits, Goodco and EI. Ms. Koon Ho Yan Candy, being an executive Director, is also a director of EI.

- (iii) Ms. Lui Yuk Chu, being the Director, 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 697,916,117 Shares, 697,916,100 Shares are the Underwritten Shares in respect of the Rights Issue. The Underwriter is interested in the remaining 17 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 Rights Issue (including but not limited to the underwriting commission, printing, registration, financial advisory, legal, professional and accounting charges) are approximately HK\$1.5 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 the Prospectus which are or may be material:

- (a) 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 EI, 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;
- (b) 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;

- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) 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;
- (i) 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;

- (j) 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;
- (k) 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;
- (l) 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;
- (m) 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;
- (n) 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;
- (o) 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;
- (p) 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;
- (q) 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;

- (r) 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;
- (s) 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;
- (t) 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;
- (u) 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;
- (v) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of the Company at a subscription price of HK\$0.077 per rights share;
- (w) 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 EI, 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;
- (x) the underwriting agreement dated 11 October 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;

- (y) the placing agreement dated 28 January 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 68,656,000 new Shares of the Company at a placing price of HK\$0.44 per Share; and
- (z) the Underwriting Agreement.

10. EXPERT AND CONSENT

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

Name and Address	Qualification
Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong	Certified Public Accountants

As at the Latest Practicable Date, the above expert 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 expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and the reference to its name in the form and context in which it appears.

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 Prospectus prevails over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter of consent referred to in the paragraph headed "Expert and Consent" 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 Prospectus;
- (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;

- (g) the circular of the Company dated 30 April 2013 relating to the Rights Issue;
and
- (h) this Prospectus.