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

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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.

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**EASYKNIT ENTERPRISES HOLDINGS LIMITED****永義實業集團有限公司\****(incorporated in Bermuda with limited liability)***(Stock Code: 0616)****RIGHTS ISSUE ON THE BASIS OF  
FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD ON THE RECORD DATE****Financial adviser to the Company****KINGSTON CORPORATE FINANCE LTD.****Underwriter of the Rights Issue****KINGSTON SECURITIES LTD.**

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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 19 to 20 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 Wednesday, 27 November 2013 to Wednesday, 4 December 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 Monday, 9 December 2013. The procedures for acceptance and payment or transfer of the Rights Shares are set out on pages 13 to 14 of this Prospectus.

\* for identification only

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## EXPECTED TIMETABLE

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*The expected timetable for the Capital Reorganisation, the change in board lot size and the Rights Issue is set out below:*

**2013**

<b>Event</b>	<b>(Hong Kong time)</b>
First day of dealings in nil-paid Rights Shares . . . . .	Wednesday, 27 November
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Friday, 29 November
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares . . . . .	9:00 a.m. on Tuesday, 3 December
Original counter for trading in Adjusted Shares in new board lots of 5,000 Adjusted Shares (in the form of new share certificates) re-opens . . . . .	9:00 a.m. on Tuesday, 3 December
Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of 500 Adjusted Shares and new certificates in board lots of 5,000 Adjusted Shares) commences . . . . .	9:00 a.m. on Tuesday, 3 December
Last day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 4 December
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares . . . . .	4:00 p.m. on Monday, 9 December
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 13 December
Announcement of results of the Rights Issue . . . . .	Tuesday, 17 December
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares . . . . .	Wednesday, 18 December

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## EXPECTED TIMETABLE

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Certificates for fully paid Rights Shares to be despatched . . . . . Wednesday, 18 December

Commencement of dealings in fully-paid Rights Shares . . . . . 9:00 a.m. on  
Thursday, 19 December

Temporary counter for trading in Adjusted Shares in  
board lots of 500 Adjusted Shares  
(in the form of existing certificates) closes . . . . . 4:00 p.m. on  
Monday, 23 December

Parallel trading in the Adjusted Shares (represented by  
both existing certificates in board lots of 500 Adjusted  
Shares and new certificates in board lots of 5,000  
Adjusted Shares) ends . . . . . 4:00 p.m. on  
Monday, 23 December

Designated broker ceases to stand in the market to  
provide matching service . . . . . 4:00 p.m. on  
Monday, 23 December

Last day for free exchange of existing share certificates  
for new certificates . . . . . Monday, 30 December

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

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

- (1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take effect on the Acceptance Time, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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

“Acceptance Time”	4:00 p.m. on Monday, 9 December 2013 (or such other time or date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“Announcement”	the announcement of the Company dated 3 October 2013 in relation to, among other things, the Capital Reorganisation, the change in board, lot size and the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of Easyknit Enterprises
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of Easyknit Enterprises from time to time
“Capital Increase”	the increase of authorised share capital of Easyknit Enterprises from HK\$5,000,000 divided into 500,000,000 ordinary shares of par value HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares of par value HK\$0.01 each
“Capital Reduction”	the (i) reduction of the issued share capital of the Company by the cancellation of the paid-up capital of the Company to the extent of HK\$0.39 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK\$0.40 to HK\$0.01 (the “Issued Capital Reduction”); and (ii) reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK\$0.40 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$200,000,000 divided into 500,000,000 Consolidated Shares to HK\$5,000,000 to 500,000,000 ordinary shares of par value HK\$0.01 each

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## DEFINITIONS

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“Capital Reorganisation”	the capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Capital Increase
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda
“connected persons”	has the meanings ascribed thereto in the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.40 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation became effective but before the Capital Reduction and the Capital Increase
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of Easyknit Enterprises
“EAF(s)”	the excess application form(s) issued in connection with the Rights Issue
“Easyknit Enterprises” or “Company”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Group”	Easyknit Enterprises and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders, other than those who are involved in or interested in, the Underwriting Agreement and the Undertakings, and who are required to abstain from voting in respect thereto at the SGM pursuant to the Listing Rules
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Last Trading Day”	3 October 2013, being the date of entering into the Underwriting Agreement
“Latest Practicable Date”	22 November 2013, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion in this Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	shareholder(s) whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
“PAL(s)”	the provisional allotment letter(s) issued in connection with the Rights Issue
“Posting Date”	Monday, 25 November 2013, or such other day as may be agreed between Easyknit Enterprises and the Underwriter, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China
“Pre-Adjusted Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises before the implementation of the Capital Reorganisation

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## DEFINITIONS

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“Prospectus”	this prospectus issued by Easyknit Enterprises in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date
“Record Date”	Friday, 22 November 2013 or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein
“Rights Share(s)”	247,163,250 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of five (5) Rights Shares for every one (1) Adjusted Share held at the Record Date pursuant to the Rights Issue
“Settlement Date”	Friday, 13 December 2013, being the fourth Business Day following the Acceptance Date or such later date as Easyknit Enterprises and the Underwriter may agree
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of Easyknit Enterprises convened and held on Monday, 18 November 2013 to consider and approve, among other things, the proposed Capital Reorganisation and the Rights Issue
“Share Consolidation”	the consolidation of every forty (40) issued and unissued Pre-Adjusted Shares of par value HK\$0.01 each in the share capital of Easyknit Enterprises into one (1) Consolidated Share of par value of HK\$0.40
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	Pre-Adjusted Share(s), Consolidated Share(s) or Adjusted Share(s), as the case may be

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.60 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. For details, please refer to the Company’s announcement dated 5 April 2013.
“Undertakings”	the conditional irrevocable undertakings dated 3 October 2013 from Landmark Profits and Goodco to Easyknit Enterprises 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 3 October 2013 entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	157,511,855 Rights Shares, being all the Rights Shares other than the Rights Shares to be provisionally allotted to and accepted by Landmark Profits and Goodco pursuant to the Undertakings under the Underwriting Agreement
“%”	percentage

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### TERMINATION OF THE UNDERWRITING AGREEMENT

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

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

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

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

- (i) Easyknit Enterprises commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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LETTER FROM THE BOARD

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**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**永義實業集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0616)**

*Executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Tse Wing Chiu Ricky

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

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

*Independent Non-executive Directors:*

Mr. Kan Ka Hon  
Mr. Lau Sin Ming  
Mr. Foo Tak Ching

25 November 2013

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

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the Announcement and the circular of the Company dated 25 October 2013 relating to the Capital Reorganisation and the Rights Issue.

On 3 October 2013, the Company announced, inter alia, that the Board proposed to raise approximately HK\$148 million, before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company allot and issue 247,163,250 Rights Shares at the Subscription Price (i.e. HK\$0.60 per Rights Share), on the basis of five (5) Rights Shares for every one (1)

\* *for identification only*

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## LETTER FROM THE BOARD

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Adjusted Share held on the Record Date. The estimated net proceeds of the Rights Issue will be approximately HK\$146 million. The Board intends to apply the net proceeds of the Rights Issue as to approximately HK\$102.2 million for future redevelopment cost of the Target Property, and as to the remaining balance of approximately HK\$43.8 million for general corporate purposes and its businesses generally including but not limited to the investment in listed securities when opportunities arise, such as that as detailed in announcement and circular of the Company dated 30 August 2013 and 23 September 2013 respectively and/or other opportunities as identified from time to time, details of which are set out in the section headed “Reasons for the Rights Issue and the use of proceeds” in this Prospectus.

As at the SGM held on 18 November 2013, the necessary resolutions approving, among other things, the Capital Reorganisation and the Rights Issue, were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll. The Capital Reorganisation became effective at 9:00 a.m. on Tuesday, 19 November 2013.

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

### RIGHTS ISSUE

#### Terms of Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Number of Adjusted Shares after the Capital Reorganisation became effective and as at the Latest Practicable Date	:	49,432,650 Adjusted Shares
Number of Rights Shares	:	247,163,250 Rights Shares
Aggregate nominal value of Rights Shares	:	HK\$2,471,632.50
Fund raised before expenses	:	HK\$148,297,950
Underwriter	:	Kingston Securities Limited

The number of Rights Shares to be issued pursuant to the Rights Issue represents five (5) times the issued share capital of Easyknit Enterprises after the Capital Reorganisation and 83.33% of enlarged issued share capital of Easyknit Enterprises immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue.

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## LETTER FROM THE BOARD

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

### **Basis of provisional allotment**

The basis of the provisional allotment will be five (5) Rights Shares for every one (1) Adjusted Share in issue and held on the Record Date at the Subscription Price.

### **Subscription Price**

The Subscription Price is HK\$0.60 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 76.56% to the adjusted closing price of HK\$2.56 per Adjusted Share, based on the closing price of HK\$0.064 per Pre-Adjusted Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 76.42% to the adjusted average closing price of approximately HK\$2.544 per Adjusted Share, based on the average closing price of approximately HK\$0.0636 per Pre-Adjusted Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 35.25% to the theoretical ex-rights price of approximately HK\$0.9267 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.064 per Pre-Adjusted Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue; and
- (iv) a discount of approximately 41.18% to the closing price of HK\$1.02 per Adjusted 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.

The net Subscription Price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.591.

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## LETTER FROM THE BOARD

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### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid or credited as fully-paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

### **Fractions of Rights Issue**

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

### **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.

Based on the register of members of the Company on the Record Date, none of Shareholders had address which is outside Hong Kong. Accordingly there is no Non-Qualifying Shareholder for the purpose of the Rights Issue.

### **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 rights to subscribe for all the Rights Shares

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## LETTER FROM THE BOARD

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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 Monday, 9 December 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.

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 Monday, 9 December 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 Friday, 29 November 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 Wednesday, 18 December 2013.

### **Application for excess Rights Shares**

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

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## LETTER FROM THE BOARD

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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 Monday, 9 December 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 Monday, 9 December 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 Wednesday, 18 December 2013.

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.

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## LETTER FROM THE BOARD

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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 5,000 will commence on Wednesday, 27 November 2013 and will end on Wednesday, 4 December 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.

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 5,000 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.

### **Share certificates and refund cheques for the Rights Shares**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders by ordinary post at their own risk on or before Wednesday, 18 December 2013. One share certificate will be issued for all the Rights Shares allotted to the applicant. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 18 December 2013 by ordinary post to the applicants at their own risk.

The first day of dealing in the Rights Shares in their fully-paid form is expected to commence on Thursday, 19 December 2013.

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## LETTER FROM THE BOARD

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### **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.

### **UNDERWRITING ARRANGEMENT**

#### **Undertakings from Landmark Profits and Goodco**

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, are interested in 17,930,279 Adjusted Shares, representing approximately 36.27% of the total issued share capital of Easyknit Enterprises. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which they have conditionally undertaken, inter alia, that the Shares held by them on the date of the Undertakings will remain registered in their name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to them in respect of those Adjusted Shares (representing 89,651,395 Rights Shares) will be taken up and paid for in full by them. The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If the conditions are not fulfilled, all liabilities of Landmark Profits and Goodco thereunder shall cease and the undertaking shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Shares.

#### **Underwriting**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite 157,511,855 Underwritten Shares (being all the 247,163,250 Rights Shares under the Rights Issue less the 89,651,395 Rights Shares which will be provisionally allotted to Landmark Profits and Goodco, and which Landmark Profits and Goodco have undertaken to accept).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of Easyknit Enterprises and connected persons of Easyknit Enterprises. As at the Latest Practicable Date, the Underwriter has no interest in any Adjusted Shares.

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

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

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## LETTER FROM THE BOARD

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

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

### **Commission**

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

### **Termination of the Underwriting Agreement**

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

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

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

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## LETTER FROM THE BOARD

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

- (i) Easyknit Enterprises commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter receives notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) Easyknit Enterprises shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of Easyknit Enterprises, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to Easyknit Enterprises to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

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

### **Conditions of the Rights Issue**

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

- (i) the passing of resolutions at the SGM to approve the Rights Issue and the Capital Reorganisation;
- (ii) the Capital Reorganisation having become effective;
- (iii) the registration by and filing with the Registrar of Companies in Hong Kong of the Prospectus Documents and the filing of the Prospectus in Bermuda;

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## LETTER FROM THE BOARD

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- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (v) compliance with and performance by Easyknit Enterprises of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (vi) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked by no later than the first day of their dealings;
- (vii) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days;
- (viii) delivery by Easyknit Enterprises to the Underwriter of the Undertakings by Landmark Profits and Goodco to accept their respective entitlements under the Rights Issue and fulfillment of their respective obligations under the Undertakings; and
- (ix) if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares.

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

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

As at the Latest Practicable Date, conditions (i) and (ii) have been fulfilled.

## LETTER FROM THE BOARD

### 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)	
	Number of		Number of		Number of	
	Adjusted Shares	%	Adjusted Shares	%	Adjusted Shares	%
Landmark Profits	7,856,684	15.89	47,140,104	15.89	47,140,104	15.89
Goodco	10,073,595	20.38	60,441,570	20.38	60,441,570	20.38
Public	31,502,371	63.73	189,014,226	63.73	31,502,371	10.62
Underwriter	–	0.00	–	0.00	157,511,855	53.11
Total	<u>49,432,650</u>	<u>100.00</u>	<u>296,595,900</u>	<u>100.00</u>	<u>296,595,900</u>	<u>100.00</u>

Notes:

**This scenario is for illustrative purpose only.**

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

- (i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and
- (ii) the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with Easyknit Enterprises, any of the Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

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

### Reasons for the Rights Issue and the use of proceeds

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

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## LETTER FROM THE BOARD

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As at 30 September 2013, the Group had unaudited bank balances and cash of approximately HK\$395 million (which includes approximately HK\$20 million from funds raised from the placing completed on 24 September 2013), of which, RMB72 million (equivalent to approximately HK\$90 million) is tied up in the PRC since 2012 as investment capital which is in practice not possible to be transferred back to Hong Kong. Of the balance of HK\$305 million, approximately HK\$270 million has been earmarked for the acquisition of the Target Property. The net balance of the funds of approximately HK\$35 million is reserved for the general working capital of the Company.

The Company expects to raise net proceeds of approximately HK\$146 million from the Rights Issue, after payment of expenses (equivalent to a net proceeds of HK\$0.591 per Rights Share).

On 20 December 2012, the Company had filed an application to the Lands Tribunal for an order to sell all the undivided shares in a building where for the purposes of redevelopment as to acquire the Target Property. For details, please refer to the circulars of the Company dated 15 November 2012 and 30 April 2013. The Lands Tribunal has fixed the date for the hearing in the compulsory sale and development of the Target Property from 7 to 12 May 2014. If the Lands Tribunal makes an order for sale of the lot, the trustees of the Land Tribunal will arrange for the public auction and the sale of the lot to be taken place within 3 months from the date of the sale order.

Subject to the granting of an order for sale and the successful acquisition of the Target Property by the Company, it is expected that the Company will receive the possession of the Target Property in September 2014 and takes 3 years for the entire redevelopment process for the Target Property. The Company plans that the redeveloped Target Property will be for residential and/or commercial uses. Based on the preliminary estimation of the Company's management, the total capital expenditure for the redevelopment, including the costs for planning and design, demolition, foundation, construction and superstructure, will be approximately HK\$100 million. The Board principally intends to utilise part of the net proceeds from the Rights Issue, plus certain bank borrowings if considered appropriate, for the redevelopment project.

The Company intends to apply the net proceeds of the Rights Issue as to approximately HK\$102.2 million for future redevelopment cost of the Target Property, or should the acquisition of the Target Property fail to materialise, for other property investments in Hong Kong when such opportunities arise and the Company has insufficient financial resources to fund such activities in a timely manner; and as to the remaining balance of approximately HK\$43.8 million for general corporate purposes and its businesses generally including but not limited to the investment in listed securities when opportunities arise, such as that as detailed in announcement and circular of the Company dated 30 August 2013 and 23 September 2013 and/or other opportunities as identified from time to time. The Rights Issue will increase equity capital base and strengthen the capital structure and balance sheet of the Company.

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## LETTER FROM THE BOARD

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As disclosed in the annual report of the Company for the year ended 31 March 2013, the Board maintains the view that the underlying housing demand of Hong Kong is anticipated to remain strong due to the continuing demographic development, low mortgage rates and limited supply of new units. As an ordinary course of business, the Group has been actively seeking for prospective property investments with potential redevelopment value all over Hong Kong with specific attention in the Eastern District of Hong Kong Island. The Company closely monitors the local market conditions and information in relation to properties with redevelopment potentials in terms of the building's age, location, nature of land use and market price. While the Company is currently targeting on properties with gross floor areas above 40,000 square feet with redevelopment potentials for residential/hotel/service apartment uses, such general selection criteria will be adjusted according to the market conditions, availability of similar investment opportunities, the funds available to the Group, etc.

As at the Latest Practicable Date, save for the filing of an application to the Lands Tribunal for an order of the compulsory sale and development of the Target Property on 20 December 2012, the Company had not entered into any significant agreement, arrangement, understanding or undertaking to acquire any material new investments and/or to dispose of any material business or assets in respect of the property investments business. As part of its ordinary business activities, the Company still continues to explore any investment opportunity in hotel and service apartments, notwithstanding, the Company currently has not identified any specific acquisition target.

The Company will make further announcement(s) in accordance with Listing Rules as and when any material acquisition or investment opportunity reaches a sufficiently advanced stage.

The Directors may review and vary the purpose for which the proceeds are used in light of what they consider to be optimal use of the net proceeds from time to time. Further announcement will be made, if necessary, in the event of material change to the use of proceeds.

Apart from the Rights Issue, the Company has also considered alternative fund raising methods, such as debt financing and a private placing of equity. In regard to debt financing, the Directors consider that this will incur interest costs that to affect the profitability of the Group as well as creating a liability on its balance sheet. In regard to placing, the Directors are of the view that it would cause a material dilution effect to the shareholding of the existing Shareholders as it would involve the issue of a substantial amount of new Shares and the existing Shareholders may lose the opportunity to participate in the placing. The Board considers that the Rights Issue will allow the Group to strengthen its balance sheet without incurring any interest cost and 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.

The Board is aware of the potential dilution effect of the proposed Rights Issue of a maximum of 83.33% on the Shareholders' shareholding interests in the Company if they do not subscribe for their pro-rata Rights Shares. The Board also notes that the Subscription Price of HK\$0.60 per Rights Share represents a discount of approximately 76.56% to the adjusted closing price

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## LETTER FROM THE BOARD

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of HK\$2.56 per Adjusted Share, based on the closing price of HK\$0.064 per Pre-Adjusted Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation. 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.

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 discount of the Subscription Price 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.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

<b>Date of announcement</b>	<b>Fund raising activities</b>	<b>Net proceeds raised (approximate)</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds (approximate)</b>
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
5 April 2013	Rights issue	HK\$122 million	For the acquisition of Target Property	To be applied as intended
11 September 2013	Placing of new shares under general mandate	HK\$20 million	For general working capital	To be applied as intended

*Note:* Most of the unutilised proceeds raised from the previous funding raising activities in the past twelve months were placed in the Company's fixed deposit bank accounts.

### BUSINESS REVIEW OF THE GROUP

During the year, the Group was principally engaged in property investment, garment sourcing and exporting businesses, investment in securities and loan financing.

For the year ended 31 March 2013, the Group recorded a turnover of HK\$223,756,000, representing a decrease of HK\$63,160,000 or 22.0% from HK\$286,916,000 for the year 2012.

Profit attributable to owners of the Company for the year ended 31 March 2013 amounted to HK\$4,695,000 (2012: loss of HK\$34,762,000). The profit was mainly attributable to, among other things, a profit of HK\$26,617,000 arising on discontinued operations of bleaching, dyeing and knitting businesses by deregistering 2 PRC subsidiaries; the turn from loss to gain of HK\$5,758,000 on fair value changes of investments held for trading; and no further impairment losses recognised on goodwill and intangible assets in the garment sourcing and exporting businesses.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 March 2013, the operating environment of the garment sourcing and exporting businesses was challenging during the year due to record high prices of cotton, continued appreciation of the Renminbi against the US dollar and overall price surges resulting from inflation. However, the Company will continue to enhance its competitiveness by providing customers with more products of better quality and design.

For the property investment, although the newly launched tax measures on residential flats to buyers in Hong Kong will inevitably cause an adverse impact on the residential property market in short run, the underlying housing demand is anticipated to remain strong due to the continuing demographic development, low mortgage rates and limited supply of new units. To better position itself to cope with the uncertainties on global economy and changing local policy, the Group will continue seeking opportunities in the acquisition of properties in good locations, keep on revising and adjusting development plans and marketing strategies to tackle the changes in the market conditions. The Group expects that revenue and contribution from property investment segment will continue to grow and become one of the Group's major recurring and reliable income sources.

On the front of securities investment business, the Board will stick to a prudent principle in its investment strategy in focusing on investments which are relatively lower risk in order to secure stable returns at a minimal risk.

Going forward, the Group will vigilantly strengthen its core business and operations with a view to undertaking steady progress in a constantly challenging market. In addition, the Group will keep on exploring the investment opportunities in hotel and service apartment projects, notwithstanding that the Company currently has not identified any specific acquisition target.

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

**The Shares have been dealt in on an ex-rights basis from Wednesday, 20 November 2013. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 27 November 2013 to Wednesday, 4 December 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 Adjusted Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 27 November 2013 to Wednesday, 4 December 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.**

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## LETTER FROM THE BOARD

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### 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 drawn to the additional information set out in appendices to this Prospectus.

Yours faithfully,  
For and on behalf of  
**EASYKNIT ENTERPRISES HOLDINGS LIMITED**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

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

Kwong Jimmy Cheung Tim

Flat 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

<b>Name</b>	<b>Address</b>
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 Easyknit International. Mr. Kwong graduated from the University of Hong Kong in 1965 and was admitted as a Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He serves as director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive Director in April 2003, and was subsequently re-designated as an executive Director in April 2007. In December 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

#### ***Ms. Lui Yuk Chu (Deputy Chairman)***

Ms. Lui, aged 55, is an executive Director and deputy chairman of the Company and a member of the Executive Committee. She is also an executive director and vice president, and a member of the Executive Committee of Easyknit International. Ms. Lui has been involved in the textiles industry for a number of years and has experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 2006. She is the mother of Ms. Koon Ho Yan Candy, an executive Director of the Company.

#### ***Ms. Koon Ho Yan Candy***

Ms. Koon, aged 28, is an executive Director and authorised representative 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, authorised representative and a member of the executive committee of Easyknit International. Ms. Koon is the daughter of Ms. Lui Yuk Chu, the deputy chairman of the Company.

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

Mr. Tse, aged 55, is a non-executive Director of the Company. He is also a non-executive director of Easyknit International. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has many years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive Director and vice chairman in 2005, and was subsequently re-designated from vice chairman to chairman and appointed as chief executive officer in 2006. In 2007, Mr. Tse was re-designated from an executive Director to a non-executive Director of the Company and resigned as chairman and chief executive officer.

**Independent Non-executive Directors*****Mr. Kan Ka Hon***

Mr. Kan, aged 61, is an independent non-executive Director of the Company since 2003. He is also a member and chairman of Audit Committee, a member of 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 52, 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 and is now practising in his own name as certified public accountant.

***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**

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Principal place of business</b>	Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
<b>Company secretary</b>	Lee Po Wing ( <i>LL.B.</i> )
<b>Authorised representatives</b>	Kwong Jimmy Cheung Tim Koon Ho Yan Candy
<b>Legal advisers to the Company</b>	<i>As to Hong Kong law:</i> Reed Smith Richards Butler 20th Floor Alexandra House 18 Chater House Central Hong Kong  <i>As to Bermuda law:</i> Appleby 2206-19 Jardine House 1 Connaught Place, Central Hong Kong
<b>Auditor</b>	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
<b>Branch share registrar and transfer office in Hong Kong</b>	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 Burnaby 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>	Adjusted Shares	<u>HK\$200,000,000.00</u>
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*Issued and fully-paid:*

<u>49,432,650</u>	Adjusted Shares in issue as at the Latest Practicable Date	<u>HK\$494,326.50</u>
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<u>247,163,250</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>HK\$2,471,632.50</u>
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<u>296,595,900</u>	Adjusted Shares in issue immediately following the Rights Issue	<u>HK\$2,965,950.00</u>
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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 allotted, issued and fully-paid or credited as 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 date of 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 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the years ended 31 March 2011 (pages 29-90), 2012 (pages 40-134) and 2013 (pages 46-138). They can be accessed on the website of the Company ([www.easyknitenterp.com](http://www.easyknitenterp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account its present available financial resources, 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 September 2013, being the latest practicable date for ascertaining this information prior to the printing of this Prospectus, the Group had outstanding bank borrowings of approximately HK\$165.5 million, which were guaranteed by the Company and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$165.3 million and interest payable of approximately HK\$0.2 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 30 September 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 31 March 2013. 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 consolidated net tangible assets of the Group as at 31 March 2013 as extracted from the published annual report of the Group for the year ended 31 March 2013 and is adjusted for the effect of the Rights Issue.

<b>Consolidated net tangible assets of the Group as at 31 March 2013</b>	<b>Estimated net proceeds from the Rights Issue</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Rights Issue</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets as adjusted for the Rights Issue per Adjusted Share</b>
<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>
797,879	146,298	944,177	3.667

*Notes:*

1. The amount of consolidated net tangible assets of the Group as at 31 March 2013 is based on the net tangible assets of the Group amounting to HK\$797,879,000 extracted from the published annual report of the Group for the year ended 31 March 2013.
2. The estimated net proceeds from the Rights Issue are based on 247,163,250 Rights Shares of HK\$0.01 each at HK\$0.60 per Rights Share on the basis of five Rights Shares for every one Adjusted Share of the Company held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$2 million to be incurred by the Company.

3. The number of shares used for the calculation of this amount is 257,461,787, representing 10,298,537 Adjusted Shares and 247,163,250 Rights Shares. The number of 10,298,537 Adjusted Shares is calculated based on 411,941,500 Pre-Adjusted Shares in issue as at 31 March 2013 and adjusted for the Capital Reorganisation which involves, among others, the consolidation of every forty issued and unissued Existing Shares into one Consolidated Share and the reduction of the par value of each issued Consolidated Share from HK\$0.40 to HK\$0.01. As at 31 March 2013, the consolidated net tangible assets per Pre-Adjusted Share is HK\$1.937 and the consolidated net tangible assets per Adjusted Share is HK\$77.475. The amount of the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2013 does not take into account the proceeds from (a) rights issue of 1,235,824,500 rights shares which became effective on 19 June 2013 and (b) placement of 329,540,000 shares which became effective on 24 September 2013; and the number of 411,941,500 Pre-Adjusted Shares and 10,298,537 Adjusted Shares do not take into account the number of Pre-Adjusted Shares issued pursuant to these rights issue and placement.
  
4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2013.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT  
OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS****Deloitte.**  
**德勤**德勤•關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓Deloitte Touche Tohmatsu  
33/F, One Pacific Place  
88 Queensway  
Hong Kong**TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2013 and related notes as set out on pages III-1 and III-2 of the prospectus issued by the Company dated 25 November 2013 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 and III-2 of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 247,163,250 rights shares of HK\$0.01 each at HK\$0.60 per rights share on the basis of five rights shares for every one adjusted share of the Company (the “Rights Issue”) on the Group’s financial position as at 31 March 2013 as if the Rights Issue had taken place at 31 March 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2013, on which an audit report has been published.

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

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

**Reporting Accountant’s Responsibilities**

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 March 2013 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
25 November 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

### 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)	17,930,279	36.27%
Ms. Koon Ho Yan Candy (note ii)	Beneficiary of a trust	17,930,279	36.27%

*Notes:*

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

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

### 3. SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	17,930,279	36.27%
Landmark Profits	<i>i &amp; ii</i>	Beneficial owner	7,856,684	15.89%
Goodco	<i>i &amp; ii</i>	Beneficial owner	10,073,595	20.38%
Easyknit International	<i>i &amp; ii</i>	Interest of controlled corporation	17,930,279	36.27%
Magical Profits Limited	<i>i &amp; iii</i>	Interest of controlled corporation	17,930,279	36.27%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	17,930,279	36.27%
Hang Seng Bank Trustee International Limited	<i>i &amp; iv</i>	Trustee	17,930,279	36.27%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%
HSBC Asia Holdings (UK) Limited	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%
HSBC Holdings BV	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%
HSBC Finance (Netherlands)	<i>iv</i>	Interest of controlled corporation	17,930,279	36.27%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
HSBC Holdings plc	iv	Interest of controlled corporation	17,930,279	36.27%
Kingston Securities Limited	v	Other	157,511,855	53.10%
Galaxy Sky Investments Limited	v	Interest of controlled corporation	157,511,855	53.10%
Kingston Capital Asia Limited	v	Interest of controlled corporation	157,511,855	53.10%
Kingston Financial Group Limited	v	Interest of controlled corporation	157,511,855	53.10%
Active Dynamic Limited	v	Interest of controlled corporation	157,511,855	53.10%
Chu Yuet Wah	v	Interest of controlled corporation	157,511,855	53.10%

*Notes:*

- (i) The 17,930,279 Shares related to the same block of Shares in the Company of which 7,856,684 Shares and 10,073,595 Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are the wholly-owned subsidiaries of Easyknit International. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a Director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 17,930,279 Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors of the Company, are also directors of Landmark Profits, Goodco and Easyknit International. Ms. Koon Ho Yan Candy, being a Director of the Company, is also a director of Easyknit International.
- (iii) Ms. Lui Yuk Chu, being a Director of the Company, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iv) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.
- (v) 157,511,855 Shares are the Underwritten Shares in respect of the Rights Issue. 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 42.53% 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 2013 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

#### **6. DIRECTORS' 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.

#### **7. 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\$2 million and are payable by the Company.

#### **8. 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.

**9. 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 2013, being the date to which the latest published audited financial statements of the Company were made up.

**10. MATERIAL CONTRACTS**

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

- (a) the placing agreement dated 30 May 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of the Company at a placing price of HK\$0.141 per share;
- (b) the placing agreement dated 18 July 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of the Company at a placing price of HK\$0.106 per share;
- (c) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of the Company at a subscription price of HK\$0.077 per rights share;
- (d) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary of Easyknit International, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for 3 years at a monthly rental at HK\$208,000;
- (e) the underwriting agreement dated 11 October 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;
- (f) the placing agreement dated 28 January 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of the Company at a placing price of HK\$0.44 per share;
- (g) the underwriting agreement dated 5 April 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 1,235,824,500 rights shares at the subscription price of HK\$0.10 per rights share;

- (h) the placing agreement dated 11 September 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of the Company at a placing price of HK\$0.063 per share; and
- (i) the Underwriting Agreement.

## 11. EXPERT AND CONSENT

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

<b>Name and Address</b>	<b>Qualification</b>
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 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and the references to its name in the form and context in which it appears.

## 12. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field;
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 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.

**13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

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).

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a period of 14 days from the date of this 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 two financial years ended 31 March 2012 and 31 March 2013;
- (f) the circular of the Company dated 25 October 2013 relating to the Capital Reorganisation and the Rights Issue; and
- (g) this Prospectus.