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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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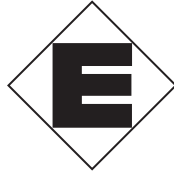
If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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

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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)

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

**Financial adviser to the Company**



**KINGSTON CORPORATE FINANCE LIMITED**

**Underwriter of the Rights Issue**



**KINGSTON SECURITIES LIMITED**

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

**Nuada Limited**

*Corporate Finance Advisory*

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A letter from the Board is set out on pages 12 to 35 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 36 of this circular. A letter from Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 37 to 51 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 18 November 2013 at 9:30 a.m. is set out on pages N-1 to N-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from Wednesday, 20 November 2013. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 27 November 2013 to Wednesday, 4 December 2013 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Friday, 13 December 2013. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from 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/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 10 to 11 of this circular.

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

\* for identification only

25 October 2013

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## EXPECTED TIMETABLE

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

**2013**

<b>Event</b>	<b>(Hong Kong time)</b>
Despatch of circular with notice of SGM .....	Friday, 25 October
Record date for attendance and voting at the SGM .....	Friday, 15 November
Latest time for lodging proxy form for SGM .....	9:30 a.m. on Saturday, 16 November
Date and time of the SGM .....	9:30 a.m. on Monday, 18 November
Announcement on results of SGM .....	Monday, 18 November
Effective date for the Capital Reorganisation .....	Tuesday, 19 November
Commencement of dealings in the Adjusted Shares .....	9:00 a.m. on Tuesday, 19 November
Original counter for trading in existing share certificates in board lots of 20,000 Existing Shares temporarily closes .....	9:00 a.m. on Tuesday, 19 November
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens .....	9:00 a.m. on Tuesday, 19 November
First day for free exchange of existing certificates for the Existing Shares into new share certificates for Adjusted Shares .....	9:00 a.m. on Tuesday, 19 November
Last day of dealings in Adjusted Shares on a cum-rights basis .....	Tuesday, 19 November
First day of dealings in Adjusted Shares on an ex-rights basis .....	Wednesday, 20 November
Latest time for Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue .....	4:00 p.m. on Thursday, 21 November

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## EXPECTED TIMETABLE

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Closure of register of members of the Company	Friday, 22 November
Record date and time	4:00 p.m. on Friday, 22 November
Register of members re-opens	Monday, 25 November
Despatch of Prospectus Documents	Monday, 25 November
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 circular 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 circular, 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
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of Easyknit Enterprises
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of Easyknit Enterprises from time to time
“Capital Increase”	the proposed increase of authorised share capital of Easyknit Enterprises from HK\$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 proposed (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 will be 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 proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Capital Increase
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda
“connected 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 becoming 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) to be 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
“EI Directors”	the directors of Easyknit International
“EI Shareholder(s)”	holder(s) of share(s) of Easyknit International
“Existing Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Easyknit Enterprises before the implementation of the Capital Reorganisation

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## DEFINITIONS

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“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
“Independent Board Committee”	an independent committee of the Board comprising all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue
“Independent Financial Adviser”	Nuada Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders, other than the Directors (excluding the independent non-executive Directors), the chief executive of Easyknit Enterprises and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement and the Undertakings
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Last Trading Day”	Thursday, 3 October 2013, being the date of entering into the Underwriting Agreement

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## DEFINITIONS

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“Latest Practicable Date”	23 October 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	shareholder(s) whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“Posting Date”	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
“Prospectus”	the prospectus to be issued by Easyknit Enterprises in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date

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## DEFINITIONS

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“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 to be convened and held to consider and approve, among other things, the proposed Capital Reorganisation and the Rights Issue
“Share(s)”	Existing Share(s), Consolidated Share(s) or Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every forty (40) issued and unissued Existing Shares into one (1) Consolidated Share
“Shareholder(s)”	holder(s) of Share(s)
“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

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## DEFINITIONS

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“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 Easyknit Enterprises’ 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 circular
“Underwriter”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 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

*Non-executive Director:*

Mr. Tse Wing Chiu Ricky

*Independent Non-executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

25 October 2013

*To the Shareholders,*

Dear Sir or Madam,

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

**INTRODUCTION**

On 3 October 2013, the Company announced that the Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Capital Increase. The Share Consolidation will involve the consolidation of every forty (40) issued and unissued Existing Shares of par value HK\$0.01 each in the share capital of the

\* *for identification only*

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## LETTER FROM THE BOARD

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Company into one (1) Consolidated Share of par value HK\$0.40. The Capital Reduction will involve (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.39 on each of the then issued Consolidated Shares in the share capital of the Company such that the par value of each issued Consolidated Shares will be reduced from HK\$0.40 to HK\$0.01; and (ii) the reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK\$0.40 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 divided into 500,000,000 ordinary shares of par value HK\$0.01 each. The Capital Increase will involve the increase of authorised share capital of the Company from HK\$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.

The Board proposes to change the board lot size for trading in the Shares from 20,000 Existing Shares to 5,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

The Board also proposes to raise HK\$148 million before expenses, by way of a Rights Issue of 247,163,250 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date payable in full upon application.

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

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

### **PROPOSED CAPITAL REORGANISATION**

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

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## LETTER FROM THE BOARD

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### **Share Consolidation**

The Share Consolidation will involve the consolidation of every forty (40) issued and unissued Existing Shares of par value HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value HK\$0.40. As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 Existing Shares of par value HK\$0.01 each. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK\$200,000,000 divided into 500,000,000 Consolidated Shares of par value HK\$0.40 each. As at the Latest Practicable Date, there are 1,977,306,000 Existing Shares of par value HK\$0.01 each in issue and fully paid. On the basis of such issued share capital, there will be 49,432,650 Consolidated Shares of par value HK\$0.40 each in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank *pari passu* in all respects with each other.

### **Capital Reduction**

The Capital Reduction will involve (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.39 on each of the then issued Consolidated Shares in the share capital of the Company such that the par value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01 (the “**Issued Capital Reduction**”); (ii) the reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK\$0.40 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 divided into 500,000,000 ordinary shares of par value HK\$0.01 each; and (iii) the credit arising from the Issued Capital Reduction will be transferred to the contributed surplus account of the Company. The Directors will be authorised to apply any credit balance in the contributed surplus account of the Company in any manner as permitted by the laws of Bermuda and the Bye-Laws, such as distribution out of contributed surplus to the Shareholders and/or the application of such credit balance to set off against accumulated losses of the Company.

### **Capital Increase**

The Capital Increase will involve the increase of authorised share capital of the Company from HK\$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. The Company has no present intention of issuing any part of the increased capital in addition to the Rights Issue as detailed in later parts of this circular.

### **Effects of the Capital Reorganisation**

As at the Latest Practicable Date, Easyknit Enterprises has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares. Based on Easyknit Enterprises’ existing authorised share capital of HK\$200,000,000, represented by 20,000,000,000 Existing Shares, and the existing issued share capital of HK\$19,773,060,

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## LETTER FROM THE BOARD

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represented by 1,977,306,000 Existing Shares, upon completion of the Capital Reorganisation, the authorised share capital of Easyknit Enterprises will remain at HK\$200,000,000, represented by 20,000,000,000 Adjusted Shares, and the issued share capital will be HK\$494,326.50 represented by 49,432,650 Adjusted Shares.

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

The effect of the Capital Reorganisation is summarised below:

	<b>Prior to the Capital Reorganisation</b>	<b>Immediately following the Capital Reorganisation becoming effective <i>(Note)</i></b>
Par value of each Existing		
Share/Adjusted Share in issue	HK\$0.01	HK\$0.01
Number of authorised Existing		
Shares/Adjusted Shares	20,000,000,000	20,000,000,000
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Number of Existing Shares/Adjusted		
Shares in issue	1,977,306,000	49,432,650
Issued and fully paid-up share capital	HK\$19,773,060	HK\$494,326.50

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

Based on 1,977,306,000 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$19.28 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of Easyknit Enterprises. The Board intends to apply the credit amount arising from the Issued Capital Reduction to set-off the accumulated losses of Easyknit Enterprises. As at 31 March 2013, the accumulated losses of the Company were approximately HK\$11.19 million. The Board intends to apply all the credit of HK\$19.28 million arising as a result of the Issued Capital Reduction to set-off against the accumulated losses of the Company. Accordingly, all the accumulated losses of the Company after the Capital Reorganisation and the application of the credit arisen as stated above (after including the expenses in relation to the Capital Reorganisation) will be set-off.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of Easyknit Enterprises or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial

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## LETTER FROM THE BOARD

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

### **Reasons for the Capital Reorganisation**

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

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

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

### **Conditions of the Capital Reorganisation**

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

- (a) the passing of the necessary resolutions by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) compliance with the relevant legal procedures and requirements under the Listing Rules and the Companies Act to effect the Capital Reorganisation; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

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## LETTER FROM THE BOARD

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### **Listing and Dealings**

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

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

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Free exchange of Share certificates**

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Shares, to the Registrar during the business hours from Tuesday, 19 November 2013 to Monday, 30 December 2013 (both dates inclusive) in exchange for new certificates for the Adjusted Shares, at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The certificates for the Shares will be valid in the form of existing certificates for trading and settlement up to 4:00 p.m. on Monday, 23 December 2013, being the latest time for trading in board lots of 500 Adjusted Shares (or such other date which will be announced by the Company) but will continue to be good evidence of legal title and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

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

### **CHANGE IN BOARD LOT SIZE**

The Board also proposed to change the board lot size for trading in the Shares from 20,000 Existing Shares to 5,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective. Trading in Adjusted Shares in new board lot size of 5,000 Adjusted Shares shall be effective at 9:00 a.m. on Tuesday, 3 December 2013.

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## LETTER FROM THE BOARD

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In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares arising from the Capital Reorganisation, the Company has appointed an agent, Kingston Securities Limited, to stand in the market to provide matching services for the odd lots of Adjusted Shares for the period from 9:00 a.m. on Tuesday, 3 December 2013 to 4:00 p.m. on Monday, 23 December 2013 (both dates inclusive). Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares would be made on a best effort basis but would not be guaranteed. Holders of odd lots of the Adjusted Shares who wish to take advantage of this matching service either to dispose of their odd lots Adjusted Shares or to top up to board lots of 5,000 Adjusted Shares, may contact Ms. Rosita Kiu of Kingston Securities Limited at Suite 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong at telephone number +852 2298 6215 or by fax at +852 2295 0682 during this period. Any Shareholders, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its professional advisers.

### PROPOSED RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Number of Existing Shares in issue at the Latest Practicable Date	:	1,977,306,000 Existing Shares
Number of Adjusted Shares after the Capital Reorganisation becoming effective	:	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 million approximately
Underwriter	:	Kingston Securities Limited

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

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

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## LETTER FROM THE BOARD

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### 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 Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 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 Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 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 Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue; and
- (iv) a discount of approximately 66.67% to the adjusted closing price of HK\$1.80 per Adjusted Share, based on the closing price of HK\$0.045 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

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

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.

### 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.

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## LETTER FROM THE BOARD

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### **Closure of register of members**

The Company's register of members will be closed on Friday, 22 November 2013 for the purpose of determining the entitlements of the Qualifying Shareholders to the Rights Issue. No transfer of Shares will be registered on that date.

### **Qualifying Shareholders**

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

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

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

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

In order to be registered as members of Easyknit Enterprises at the close of business on the Record Date, beneficial owners must lodge any transfers of Shares (together with the relevant share certificates) with branch share registrar of Easyknit Enterprises in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on Thursday, 21 November 2013.

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

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## LETTER FROM THE BOARD

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### **Non-Qualifying Shareholders**

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

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

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

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

The Directors will allocate the excess Rights Shares at their discretion with reference to the level of acceptances of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for topping-up odd lot holdings to whole lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; and
- (ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied by them, with board lots allocation to be made on best efforts basis.

The Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Qualifying Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar of the Company for completion of the relevant registration by 4:00 p.m. on Thursday, 21 November 2013.

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## LETTER FROM THE BOARD

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

### **Fractions of Rights Issue**

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

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

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders by ordinary post at their own risk on or before Wednesday, 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.

### **Application for listing of the Rights Shares**

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in board lots of 5,000. Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

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

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENT

#### Undertakings from Landmark Profits and Goodco

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, is interested in 717,211,200 Existing Shares, representing approximately 36.27% of the total issued share capital of Easyknit Enterprises. Upon the Capital Reorganisation coming into effective, Landmark Profits and Goodco will beneficially own an aggregate of 17,930,279 Adjusted Shares. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which they have conditionally undertaken, inter alia, that the Shares held by them on the date of the Undertakings will remain registered in their name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to them in respect of those Adjusted Shares (representing 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 undertakings shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Shares.

#### 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 is interested in 17 Existing Shares.

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

- (i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and
- (ii) the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code)

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## LETTER FROM THE BOARD

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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;

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## LETTER FROM THE BOARD

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

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

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

## 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 the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming only Landmark Profits and Goodco take up their entitled Rights Shares) (Note)	
	Number of Existing Shares		Number of Adjusted Shares		Number of Adjusted Shares		Number of Adjusted Shares	
	Shares	%	Shares	%	Shares	%	Shares	%
Landmark Profits	314,267,376	15.89	7,856,684	15.89	47,140,104	15.89	47,140,104	15.89
Goodco	402,943,824	20.38	10,073,595	20.38	60,441,570	20.38	60,441,570	20.38
Public	1,260,094,783	63.73	31,502,371	63.73	189,014,226	63.73	31,502,371	10.62
Underwriter	17	0.00	–	0.00	–	0.00	157,511,855	53.11
<b>Total</b>	<b>1,977,306,000</b>	<b>100.00</b>	<b>49,432,650</b>	<b>100.00</b>	<b>296,595,900</b>	<b>100.00</b>	<b>296,595,900</b>	<b>100.00</b>

*Note:*

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

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

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

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## LETTER FROM THE BOARD

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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.

As at 30 September 2013, the Group had unaudited bank balance and cash of approximately HK\$395 million (which includes approximately HK\$20 million from funds raised from the placing completed on 19 September 2013), of which, RMB72 million (equivalent to approximately HK\$90 million) is tied up in the PRC since 2012 as investment capital which it 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 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 respectively. 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 utilize part of the net proceeds from the Rights Issue, plus certain bank borrowings if considers 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 materialize, for other property investments in Hong

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## LETTER FROM THE BOARD

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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 respectively 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.

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

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## LETTER FROM THE BOARD

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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 of HK\$2.56 per Adjusted Share, based on the closing price of HK\$0.064 per Existing 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

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

<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 Existing Shares will be 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 Existing Shares, Adjusted Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Existing Shares or Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 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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### SGM

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

In accordance with the Listing Rules, Landmark Profits, Goodco and their respective associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. The Underwriter, who is interested in the Underwriting Agreement, will also abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. As at the Latest Practicable Date, the number of Existing Shares held by each of Landmark Profits, Goodco, the Underwriter and their respective associates are 314,267,376, 402,943,824 and 17 respectively, representing approximately 15.89%, 20.38% and 0% of the issued share capital of the Company respectively.

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

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

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

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## LETTER FROM THE BOARD

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### NOTICE OF THE SGM

Set out on pages N-1 to N-4 of this circular is a notice of the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 18 November 2013 at 9:30 a.m. at which resolutions will be proposed to approve, among other things, the Capital Reorganisation and the Rights Issue. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

### RECOMMENDATION

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

Your attention is drawn to the letter from the Independent Board Committee set out on page 36 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 37 to 51 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable and that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Rights Issue at the SGM.

The Directors believe that the terms of the Rights Issue and the Capital Reorganisation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

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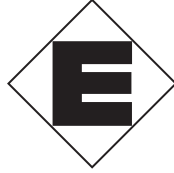
**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

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

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



**EASYKNIT ENTERPRISES HOLDINGS LIMITED**

**永義實業集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0616)**

25 October 2013

*To the Independent Shareholders,*

Dear Sir or Madam,

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

We refer to the circular dated 25 October 2013 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

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

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

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

Yours faithfully,

**Independent Board Committee**

**Mr. Kan Ka Hon**

**Mr. Lau Sin Ming**

**Mr. Fook Tak Ching**

*Independent non-executive Directors*

\* *for identification only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

**Nuada Limited**  
*Corporate Finance Advisory*

19<sup>th</sup> Floor, BLINK, 111 Bonham Strand  
Sheung Wan, Hong Kong  
香港上環文咸東街111號BLINK 19字樓

25 October 2013

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

Dear Sirs,

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

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the section headed “Letter from the Board” (the “Letter”) contained in the circular dated 25 October 2013 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 3 October 2013, the Company announced that it proposes to conduct the Share Consolidation, Capital Reduction and Capital Increase. On the same date, the Company also announced that it proposes to raise approximately HK\$148 million (before expenses) by way of the rights issue of 247,163,250 Rights Shares at a subscription price of HK\$0.6 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date.

The Rights Issue is fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. The terms of the Underwriting Agreement are determined after arm’s length negotiations between the Company and the Underwriter. The Rights Issue is conditional upon, among other things, the passing of resolution at the SGM to approve the Capital Reorganisation and the Rights Issue.

As at the Latest Practicable Date, Easyknit International, through Landmark Profits and Goodco, are interested in 717,211,200 Existing Shares, representing approximately 36.27% of the total issued share capital of Easyknit Enterprises. Upon the Capital Reorganisation coming into effective, Landmark Profits and Goodco will beneficially own an aggregate of 17,930,279

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Adjusted Shares. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the Shares held by it on the date of the Undertaking, i.e. 3 October 2013, will remain registered in its name at the close of business on the Record Date and the Rights Shares to be provisionally allotted to it in respect of those Adjusted Shares (representing 89,651,395 Rights Shares) will be taken up and paid for in full by it.

In accordance with Rule 7.19(6)(a) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. Therefore, Landmark Profits, Goodco and their respective associates will be required to abstain from voting on the resolution relating to the Rights Issue at the SGM. Also, the Underwriter, who holds 17 Existing Shares as at Latest Practicable Date and is interested in the Underwriting Agreement, will be required to abstain from voting on the resolution to approve the Rights Issue at the SGM.

An Independent Board Committee of the Company comprising Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, all being the independent non-executive Directors will be established to make recommendations to the Independent Shareholders on (i) whether the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder at the SGM. We, Nuada Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Rights Issue and the transaction contemplated thereunder, we have considered the following principal factors and reasons.

#### 1. Background information of the Group

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

The table below summarised the financial results of the Group for years ended 31 March 2012 and 31 March 2013 as extracted from the Company's annual report for the year ended 31 March 2013 (the "Annual Report"):

	<b>For the year ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	<b>(audited)</b>	<b>(audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>		
– Garment sourcing and exporting	211,770	280,918
– Property investment	11,780	5,998
– Investment in securities	–	–
– Interest income from loan financing	–	206
	<u>223,756</u>	<u>286,916</u>
<b>Total</b>	<b>223,756</b>	<b>286,916</b>
(Loss)/profit attributable to owners of the Company	<u>4,695</u>	<u>(34,762)</u>
<b>Segment results</b>		
– Garment sourcing and exporting	(1,601)	(61,799)
– Property investment	(23,018)	36,827
– Investment in securities	7,472	(14,711)
– Loan Financing	126	–
	<u>126</u>	<u>–</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the Group's turnover for the year ended 31 March 2013 was decreased by approximately 22.0% compared to the year ended 31 March 2012. However, there was a turnaround for the profit attributable to owners of the Company in 2013, which recorded a gain of approximately HK\$4.7 million as compared to a loss of approximately HK\$34.8 million in 2012. According to the annual report, such profit was mainly attributable to, among other things, a profit of approximately HK\$26.6 million arising on discontinued operations of bleaching, dyeing and knitting businesses by deregistering two PRC subsidiaries; the turn from loss to gain of approximately HK\$5.76 million on fair value changes of investments held for trading (loss of approximately HK\$16.7 million in 2012); and no further impairment losses recognized on goodwill and intangible assets in the garment sourcing and exporting businesses (an aggregate loss of approximately HK\$59.1 million in 2012).

The Group's major turnover was derived from garment sourcing and exporting business segment which was accounted for approximately 94.6% of the Group's total turnover for the financial year ended 2013 (2012: approximately 97.91%). On the other hand, the property investment segment in 2013 showed a rapid growth in turnover. The turnover generated from property investment, which amounted to approximately HK\$11.8 million, was significantly increased by 96.4% as compared to that of 2012. According to the annual report, the significant growth in turnover of property investment segment primarily are attributed to the acquisition of the investment property and the effect of tenancy renewal, being the periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

We are advised by the Directors that the Group will continue to strengthen its core business and operations and will keep on exploring the investment opportunities in hotel and service apartment projects. As at the Latest Practicable, however, the Company has not identified any specific acquisition target in such criteria.

### **2. Reasons for the Rights Issue and the use of proceeds**

As discussed in the paragraph headed "Background information of the Group" above, the garment sourcing and exporting business segment is the key turnover contributor to the Group. However, the turnover in this segment had reduced by 24.6% from approximately HK\$280.9 million in 2012 to approximately HK\$211.7 million in 2013. Despite the Company's efforts to improve the profit margin in this segment, it recorded two consecutive segment losses since the financial year of 2012. Although the segment loss was narrow down significantly from a loss of approximately HK\$61.8 million in 2012 to a loss of approximately HK\$1.6 million in 2013, the Directors consider that operating environment of the garment sourcing and exporting businesses is not optimistic due to record high price of cotton, continued appreciation of RMB against US dollars and overall price surge resulting for inflation.

As discussed in the previous paragraph headed "Background information of the Group", the Company has proactively developed the property investment business which led to a substantial growth in segment turnover. The Directors consider that although the newly launched tax measures on residential flats to buyers in Hong Kong will inevitably cause adverse impact on the residential property market in short run, the underlying housing demand

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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is anticipated to remain strong due to the continuing demographic development, low mortgage rates and limited supply of new units. In fact, the local property market has been rising in the past few years. This reflects Hong Kong remaining one of the most attractive markets for the property investments. It is the Company's strategy to keep the existing properties for investment purpose and constantly look for other opportunities to maximize Shareholders' return.

The table below illustrates the rental and price indices of private retail properties in Hong Kong:

(1999 = 100)

<b>Year</b>	<b>Month</b>	<b>Rents</b>	<b>Prices</b>
2011		134.3	327.4
2012		151.3	420.5
2013*	1-3*	160.2	500.7
	4-6*	165.7	508.1
	7	168.8	512.4
	8	168.7	509.7

*Sources: Hong Kong Property Review – Monthly Supplement October 2013*

*Note: \* Provisional figures*

As shown in the table above, the rental and price indices of private retail properties in Hong Kong reflects a general upward trend. The rental index climbed from 134.3 in 2011 to 168.7 in August 2013, representing an increase of approximately 25.6%; meanwhile, the price index of private retail properties in Hong Kong recorded a growth of approximately 55.7%. On 23 February 2013, the Hong Kong government increased the stamp duty and announced a new policy that the stamp duty must be paid immediately after the signing of the provisional agreement for the non-residential properties transaction. Such arrangements will inevitably increase the overall transaction costs for the property market participants. However, as shown in the above table, the negative impact on the market price index by such new tax measure was not obvious and the price indices maintained a stable upward trend despite minor drops in August 2013. Nevertheless, having considered (i) such arrangements are against those speculators who buys and sells the properties for short term profit; and (ii) the Directors have confirmed that the Company will continue to focus on its property investment business, we consider that the current government policy in relation to the Hong Kong property market will not have material impact on the property investment business of the Group and our opinion and recommendation on the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the Company intends to apply the estimated net proceeds of approximately HK\$146 million from the Rights Issue as to approximately HK\$102.2 million for financing future redevelopment cost of the Target Property, or should the acquisition of the Target Property fail to materialize, for other property investments in Hong Kong when such opportunities arisen since the Company may have 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 business generally, including but not limited to 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.

We are advised by the Directors that the cash and bank balance of the Group as at 30 September 2013 was approximately HK\$395 million (including the proceeds of approximately HK\$20 million raised from the new shares placing completed on 19 September 2013), of which, RMB72 million (equivalent to approximately HK\$90 million) is tied up in the PRC since 2012 as investment capital of a PRC subsidiary 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 as announced by the Company on 5 April 2013. The net remaining balance of the funds in amount of approximately HK\$35 million is kept for the general working capital of the Company.

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 unit of ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong with a saleable area of approximately 700 sq.ft, which is the Target Property. For details, please refer to the circulars of the Company dated 15 November 2012 and 30 April 2013 respectively. 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.

We are advised by the Company that the redevelopment cost of HK\$102.2 million for the Target Property was based on its preliminary estimation which includes but not limited to construction cost, demolition cost, foundation cost, superstructure cost, planning and design cost.

As the use of proceeds of the Rights Issue will be in accordance with the ordinary business of the Company, we are of the view that the reasons for the Rights Issue are justifiable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**3. Financing alternatives available to the Group**

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

<b>Date of announcement</b>	<b>Event</b>	<b>Estimated net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds/intended use of proceeds not yet utilized as at the announcement date</b>
3 October 2013	Rights Issue	HK\$146 million	For the general working capital of the Group, property investments and investment in any potential business opportunity, if any	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
5 April 2013	Rights Issue	HK\$122 million	For the acquisition of the Target Property	To be applied as intended
28 January 2013	Placing of new shares under a general mandate	HK\$29.8 million	For the acquisition of the Target Property	To be applied as intended
11 October 2012	Rights issue	HK\$113.03 million	For the acquisition of the Target Property	To be applied as intended

*Note:* As set out in the Letter from the Board, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the Directors other financing methods such as placing and banking facilities. Taking into account the benefits and costs of each of the alternatives, we concur with the Directors that the Rights Issue is an appropriate means to finance the future development of the Group in property investment business by considering that (i) debt financing and bank borrowing will create interest payment obligations to the Group and increase the debt-serving costs, and incur further and immediate interest burden to the Company and subject the Group to repayment obligations; (ii) all the Qualifying Shareholders have an equal opportunity to participate in the enlargement of the Company's capital base and the Company's further development; (iii) the Rights Issue enables all the Qualifying Shareholders to maintain their proportionate interests in the Company; and (iv) the Shareholders who do not participate in the fund raising of the Company can dispose of their rights shares entitlements in the market in nil-paid form.

Based on the above, we consider the Rights Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Rights Issue and the Underwriting Agreement**

The table below summarises the major terms of the Rights Issue:

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	1,977,306,000 Existing Shares
Number of Adjusted Shares after the Capital Reorganisation becoming effective	:	49,432,650 Adjusted Shares
Number of Rights Shares	:	247,163,250 Rights Shares

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 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 Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 35.25% to the theoretical ex-rights price of approximately HK\$0.9267 per Adjusted Share after the Right Issue, based on the closing price of HK\$0.064 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue; and
- (iv) a discount of approximately 66.67% to the adjusted closing price of HK\$1.80 per Adjusted Share, based on the closing price of HK\$0.045 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

As stated in the Letter, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the scale of the Rights Issue, the market price of the Shares and the prevailing market conditions. The Directors consider that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Analyses on the Subscription Price*

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

(i) *Review on Share prices*

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 4 October 2012 up to and including the Last Trading Day (the “Review Period”) are shown as follows:

<b>Month</b>	<b>Highest closing price (HK\$)</b>	<b>Lowest closing price (HK\$)</b>	<b>Average daily closing price (HK\$)</b>
2012			
October	0.227	0.203	0.213
November	0.218	0.208	0.213
December	0.250	0.193	0.218
2013			
January	0.195	0.178	0.189
February	0.186	0.160	0.170
March	0.163	0.120	0.146
April	0.123	0.105	0.109
May	0.130	0.108	0.115
June	0.156	0.091	0.113
July	0.095	0.079	0.087
August	0.082	0.069	0.077
September	0.089	0.063	0.070
October (up to and including the Last Trading Day)	0.064	0.064	0.064

*Source: the Stock Exchange web-site (www.hkex.com.hk)*

During the Review Period, the average daily closing price of the Shares ranged from HK\$0.218 to HK\$0.064 per Share. The lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.063 per Share recorded on 26 September 2013 and 27 September 2013 and HK\$0.250 per Share recorded on 12 December 2012. After the average daily closing price reached the highest on December 2012, it then showed a general sliding trend.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(ii) Comparison with other rights issue transactions*

As part of our analyses, we have identified all rights issue transactions, on a best effort basis, (the “Comparables”) from July 2013 up to and including the Last Trading Day, being the approximate three-month period prior to and including the Last Trading Day, by companies listed on the main board of the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 3 companies which met the said criteria. The list of the Comparables is considered to be exhaustive, for comparison purpose. Since the selected period of 3 months (i) has covered the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) represented the recent structure of rights issue as accepted by the other equity underwriters in Hong Kong; and (iii) can allow the Shareholders to have general understanding in other circumstances of the rights issue transactions, we consider that the selected period is adequate, appropriate and reasonable and the Comparables are fair and representative samples. Despite there were only three Comparables identified, we do not consider to extend our review period in longer period as the number of rights issue conducted by other listed companies represented the fact that it is difficult for the Hong Kong Company to conduct rights issue and/or identify underwriters in recent time. Nevertheless, the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in recent rights issue transactions by listed companies in Hong Kong. Summarised below is our relevant finding:

Company name (stock code)	Date of announcement	Basis of allotment	Premium/ (discount) of the Subscription Price over/to the closing price of the shares as at the last trading day %	Premium/ (discount) of the Subscription Price over/to the theoretical ex-rights/ ex-entitlement price %	Underwriting Commission %
G-Resources Group Limited (1051)	28 August 2013	2 for 5	(50.00)	(41.70)	HK\$22.2 million to HK\$22.5 million plus a discretionary fee of 0.5% (equivalent to a maximum of 3.8%)
Pacific Plywood Holdings Limited (767)	20 August 2013	2 for 1 with bonus issue	(66.67)	(28.57)	3.5
National Investment Funds Limited (1227)	8 July 2013	1 for 2	(42.37)	(32.81)	3
Mean discount:			(53.01)	(34.36)	
Easyknit Enterprises Holdings Limited (616)		5 for 1	(76.56)	(35.25)	1

*Source: the announcements posted on the Stock Exchange web-site  
(www.hkex.com.hk)*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The subscription prices of the Comparables ranged from discounts of approximately 42.37% to 66.67% to the respective closing prices of their shares on the last trading days prior to the release of the rights issue announcements (the “**LTD Market Range**”), with an average of approximately 53.01% (the “**LTD Market Average**”). The discount of approximately 76.56% to the closing price of HK\$2.56 per Adjusted Share on the Last Trading Day as represented by the Subscription Price is deeper than the LTD Market Range and the LTD Market Average.

The subscription prices of the Comparables ranged from discounts of approximately 28.57% to approximately 41.70% to the respective theoretical ex-rights/ex-entitlement prices of their shares on the last trading days prior to the release of the rights issue announcements (the “**TE Market Range**”), with an average of approximately 34.36% (the “**TE Market Average**”). The discount of approximately 35.25% to the theoretical ex-rights price as represented by the Subscription Price falls within the TE Market Range and is close to the TE Market Average.

We note that the Company had already conducted three rights issue in the past 15 months. As confirmed by the Directors, the net proceeds from these previous rights issue will be used mostly to finance the acquisition of the Target Property which they considered was necessary during the development process of the Group’s property investment business.

As shown in our findings, it is common for the listed issuers in Hong Kong to issue rights shares at discounts to the respective market prices of the listed issuers in order to enhance the attractiveness of the rights issue. We also note that the rights issue ratios of the Comparables are below 5 for 1 as the Rights Issue. As advised by the Directors, such ratio was determined after arm length negotiations between the Company and the underwriter and it was the mutual understanding between the Company and the underwriter that such ratio could maintain sufficient discounts to the market share price for the existing Shareholders so as to enhance the attractiveness of the Rights Issue. Despite the discount of the subscription price of the Rights Issue is deeper than LTD Market Range and LTD Market Average, we also concur with the Directors’ view that a deep discount to the market share price for the subscription price will generally enhance the attractiveness of the Rights Issue so as to enable the existing Shareholders to participate the Rights Issue and maintain their shareholding percentages.

Having considered that (i) the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter; (ii) the price performance of the Share showed a general downward trend (as discussed in the previous paragraph headed “Review on share prices”) so that the Directors had proposed a deeper discount for the Subscription Price so as to enhance the attractiveness of the Rights Issue for the participation of the Qualifying Shareholders; (iii) the discount represented by the Subscription Price to the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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theoretical ex-rights price falls within the TE Market Range and is close to the TE Market Average; and (iv) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares, we are of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(ii) *Application for excess Rights Shares***

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

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles: (i) preference will be given to applications for topping-up odd lot holdings to whole lot holdings where it appears to the Directors that such applications are not made with the intention to abuse such mechanism; and (ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied by them, with board lots allocation to be made on best efforts basis.

**(iii) *Underwriting Commission***

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting commission of 1% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors consider that the underwriting commission accords with market rates. From the table in the section headed "Comparison with other rights issue transactions", we noted that the Underwriting Commission is the lowest received by underwriters in other rights issue transactions. Given the above, we are of the opinion that the Underwriting Commission is fair and reasonable.

We have also reviewed the other terms of the Rights Issue and the Underwriting Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5. Potential dilution effect on the shareholding interests of the Shareholders

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before Completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming only Landmark Profits and Goodco take up their entitled Rights Shares) <i>(Note)</i>	
	Number of Existing Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%
Landmark Profits	314,267,376	15.89	7,856,684	15.89	47,140,104	15.89	47,140,104	15.89
Goodco	402,943,824	20.38	10,073,595	20.38	60,441,570	20.38	60,441,570	20.38
Public	1,260,094,783	63.73	31,502,371	63.73	189,014,226	63.73	31,502,371	10.62
Underwriter	17	0.00	–	0.00	–	0.00	157,511,855	53.11
<b>Total</b>	<b>1,977,306,000</b>	<b>100.00</b>	<b>49,432,650</b>	<b>100.00</b>	<b>296,595,900</b>	<b>100.00</b>	<b>296,595,900</b>	<b>100.00</b>

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

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

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights in the market and those Qualifying Shareholders who wish to increase their proportional shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares. Where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters are obligated to take up the unsubscribed Rights Shares, the proportional shareholding interests of the existing public Shareholders (other than Landmark Profits and Goodco) in the Company will be diluted from 63.73% to 10.62%.

We have reviewed the liquidity of the Company's share in the past six months and note that the trading volume of the Company's share is low. In view of this, the Shareholders may not easily sell their nil-paid rights in the market. However, we consider such nil-paid rights shares can provide the existing Shareholders an opportunity to sell their rights in the market as compared to other equity fund raising method that allow all the Shareholders to participate in, i.e. open offer.

Having considered (i) the inherent dilutive nature of rights issue in general; (ii) it is expected that the Group only has HK\$32.4 million for general working capital which is apparently insufficient for redeveloping the Target Property; (iii) as compared to other equity financing alternatives, only the Right Issue can provide the existing shareholders an option to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group; (iv) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not; (v) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to by selling their subscription rights in the open market and get back the net proceeds if they do not wish to take place in the Rights Issue; and (vi) the Subscription Price and the basis of the Rights Issue were arrived at after arm's length negotiations 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, we concur with the Directors that possible dilution effect on the existing Shareholders to be acceptable.

### 6. Financial effects of the Rights Issue

#### *Net tangible asset*

According to the "Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group" set out in Appendix III to the Circular, the Group's unaudited pro forma adjusted consolidated net tangible assets would increase from approximately HK\$797.9 million as at 31 March 2013 to approximately HK\$944.2 million as the result of the Rights Issue, representing an increase of approximately 18.3%. Such increase is attributable to the estimated net proceeds from the Rights Issue and this improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

### RECOMMENDATION

Taking into account the factors and reasons as mentioned above, which include (i) background information of the Group; (ii) reasons for the Rights Issue and the use of proceeds; (iii) principal terms of the Rights Issue and the Underwriting Agreement; (iv) potential dilution effect on the shareholding interests of the Shareholders; and (v) financial effects of the Rights Issue, we consider that, on balance, the terms of the Rights Issue are fair and reasonable so far as the Shareholders are concerned and the Rights Issue is in the interest of the Company and the Shareholders as a whole and we would advise (i) the Independent Board Committee to recommend to the Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue and the transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kevin Chan**  
*Executive Director*

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

Kwong Jimmy Cheung Tim

Flat F, 25th Floor  
Block 5, Hanford Garden  
333 Castle Peak Road  
Castle Peak Bay  
Tuen Mun  
New Territories  
Hong Kong

Lui Yuk Chu

No. 7, Braga Circuit  
Kowloon  
Hong Kong

Koon Ho Yan Candy

No. 7, Braga Circuit  
Kowloon  
Hong Kong**Non-executive Director**

Tse Wing Chiu Ricky

House D6  
Flamingo Garden  
No. 7, Fei Wan Road  
Fei Ngo Shan  
New Territories  
Hong Kong**Independent Non-executive Directors**

Kan Ka Hon

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

Lau Sin Ming

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

<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 authorized 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, authorized 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 51, is an independent non-executive Director of the Company since 2004. He is also a member and chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has many years of experience in accounting and auditing 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

<b>Principal share registrar and transfer office in Bermuda</b>	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton HM 11 Bermuda
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Wing Hang Bank 161 Queen's Road Central Hong Kong

### 3. SHARE CAPITAL

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

*Authorised:*

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

<u>1,977,306,000</u>	Existing Shares in issue as at the Latest Practicable Date	<u>HK\$19,773,060.00</u>
49,432,650	Adjusted Shares in issue after the Capital Reorganisation becoming effective	HK\$494,326.50
247,163,250	Rights Shares to be issued pursuant to the Rights Issue	HK\$2,471,632.50
<u>296,595,000</u>	Adjusted Shares in issue immediately following the Rights Issue	<u>HK\$2,965,950.00</u>

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

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

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

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

**1. FINANCIAL SUMMARY OF THE GROUP**

The published audited consolidated financial statements of the Group for the years ended 31 March 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 circular 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 circular, 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>HK\$'000</i>	<i>(Note 3)</i>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
<u>797,879</u>	<u>146,298</u>	<u>944,177</u>	<u>3.667</u>

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the 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 circular issued by the Company dated 25 October 2013 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 and III-2 of the Circular.

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 October 2013

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### 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)	717,211,200	36.27%
Ms. Koon Ho Yan Candy (note ii)	Beneficiary of a trust	717,211,200	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	717,211,200	36.27%
Landmark Profits	<i>i &amp; ii</i>	Beneficial owner	314,267,376	15.89%
Goodco	<i>i &amp; ii</i>	Beneficial owner	402,943,824	20.38%
Easyknit International	<i>i &amp; ii</i>	Interest of controlled corporation	717,211,200	36.27%
Magical Profits Limited	<i>i &amp; iii</i>	Interest of controlled corporation	717,211,200	36.27%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	717,211,200	36.27%
Hang Seng Bank Trustee International Limited	<i>i &amp; iv</i>	Trustee	717,211,200	36.27%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	717,211,200	36.27%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	717,211,200	36.27%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	717,211,200	36.27%
HSBC Asia Holdings (UK) Limited	<i>iv</i>	Interest of controlled corporation	717,211,200	36.27%
HSBC Holdings BV	<i>iv</i>	Interest of controlled corporation	717,211,200	36.27%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
HSBC Finance (Netherlands)	iv	Interest of controlled corporation	717,211,200	36.27%
HSBC Holdings plc	iv	Interest of controlled corporation	717,211,200	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 717,211,200 Shares related to the same block of Shares in the Company of which 314,267,376 Shares and 402,943,824 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 is interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). 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 717,211,200 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 Capital Reorganisation and the Rights Issue (including but not limited to the underwriting commission, printing, registration, financial advisory, legal, professional and accounting charges) are approximately HK\$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 Circular which are or may be material:

- (a) the placing agreement dated 30 May 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of the Company at a placing price of HK\$0.141 per share;
- (b) the placing agreement dated 18 July 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of the Company at a placing price of HK\$0.106 per share;
- (c) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of the Company at a subscription price of HK\$0.077 per rights share;
- (d) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary of 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 shares;
- (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. EXPERTS AND CONSENTS**

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

<b>Name and Address</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong	Certified Public Accountants
Nuada Limited, 19th Floor, BLINK, 111 Bonham Street, Sheung Wan, Hong Kong	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO

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

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

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

**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 circular prevails over the Chinese text.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

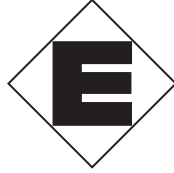
Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a period of 14 days from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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letters of consent referred to in the paragraph headed "Experts and consents" above;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" above;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 36 of this circular;
- (e) the letter from Nuada Limited, the text of which is set out on pages 37 to 51 of this circular;
- (f) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix III to this circular;
- (g) the annual reports of the Company for each of the two financial years ended 31 March 2012 and 31 March 2013;
- (h) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and
- (i) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 0616)

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “**Meeting**”) of Easyknit Enterprises Holdings Limited (永義實業集團有限公司) (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Monday, 18 November 2013, at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as special and ordinary resolutions of the Company:

#### SPECIAL RESOLUTION

1. “**THAT** subject to and conditional upon, (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agree to grant the listing of and permission to deal in the Adjusted Shares (as defined below); and (ii) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended), with effect from 9:00 a.m. on Tuesday, 19 November 2013 (Hong Kong time) or such time or such other date and/or time as the directors of the Company may determine:
  - (a) every forty (40) issued and unissued ordinary shares of par value HK\$0.01 each in the authorised share capital of the Company be consolidated into one (1) ordinary share of par value HK\$0.40 (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”);
  - (b) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated Shares such that the par value of each of the issued Consolidated Shares be reduced from HK\$0.40 to HK\$0.01 (the “**Issued Capital Reduction**”) and the par value of all Consolidated Shares in the authorised share capital of the Company be reduced from HK\$0.40 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 divided into 500,000,000 ordinary shares of par value HK\$0.01 each (the “**Authorised Capital Reduction**”);
  - (c) the authorised share capital of the Company be increased 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 ordinary shares of par value HK\$0.01 each (the “**Adjusted Shares**”) (the “**Capital Increase**”);

\* For identification only

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## NOTICE OF SPECIAL GENERAL MEETING

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- (d) the credit amount arising from the Issued Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “**Directors**”) be and are hereby authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against accumulated losses of the Company) (the “**Authorisation**”); and
  
- (e) the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to give effect and implement the Share Consolidation, the Issued Capital Reduction, the Authorised Capital Reduction and the Capital Increase.”

### ORDINARY RESOLUTION

#### 2. “**THAT**

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

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of rights issue of 247,163,250 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.60 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Friday, 22 November 2013 (Hong Kong time) (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, after making the relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of five (5) Rights Shares for every one (1) Adjusted Share then held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of this Meeting for the purpose of identification) dated 3 October 2013 and made between the Company, and Kingston Securities Limited as underwriter (the “**Underwriter**”);

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## NOTICE OF SPECIAL GENERAL MEETING

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- (b) any Director of the Company be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;
- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved; and
- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 25 October 2013

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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.