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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: 616)

DEVELOPMENT IN RESPECT OF THE POSSIBLE MERGER

The Board announces that the Company is still in negotiation with Wits Basin as to the terms of the Possible Merger and that the parties may or may not enter into a non-binding heads of agreement shortly. Discussion between the parties includes the possibility that the Possible Merger may involve an issue of shares by the Company and as a result of which Easyknit International may cease to be a controlling shareholder of the Company.

Shareholders should note that as the discussions on the Possible Merger are still in a preliminary stage, it may or may not proceed. Shareholders and the public are advised to exercise caution when dealing in the shares of the Company.

Development in respect of the Possible Merger

Reference is made to the announcement issued by the Company dated 30 November 2006 (“Announcement”). Terms used herein have the meanings as those defined in the Announcement.

The Company and Wits Basin are still negotiating the terms of the Possible Merger and may or may not enter into a non-binding heads of agreement shortly. The parties have discussed the possibility that the Possible Merger may involve an issue of shares by the Company and as a result of which the shareholding of Easyknit International Holdings Limited (“Easyknit International”) may be diluted from approximately 35.93% to below 30% and Easyknit International may cease to be a controlling shareholder of the Company.

In addition, it is also a subject of discussions that, amongst other things, completion of the Possible Merger will be conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) not ruling that the Possible Merger and the transactions contemplated therein will constitute or deemed to be a reverse take-over transaction under Rule 14.06 of the Rules Governing the Listing of Securities of the Stock Exchange. Based on current discussions, the parties also intend that the Possible Merger may not proceed if it triggers mandatory takeover requirements under the Code on Takeovers and Mergers and Share Repurchases of Hong Kong.

The parties may or may not enter into the non-binding heads of agreement and the Possible Merger is subject to contract and further due diligence.

Shareholders should note that as the discussions on the Possible Merger are still in a preliminary stage, it may or may not proceed. Shareholders and the public are advised to exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

As at the date of this announcement, the Board comprises Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu as executive Directors and Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming as independent non-executive Directors.

By order of the Board of
Easyknit Enterprises Holdings Limited
Tse Wing Chiu, Ricky
Chairman and Chief Executive Officer

Hong Kong, 1 February 2007

** for identification only*

All directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement has been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the document misleading.

Please also refer to the published version of this announcement in The Standard.