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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)

NON-BINDING HEADS OF AGREEMENT IN RESPECT OF POSSIBLE MERGER AND RESUMPTION OF TRADING

The Board announces that the Company entered into a non-binding Heads of Agreement with Wits Basin in respect of the Possible Merger on 2 February 2007. Under the terms of the Heads of Agreement, it is intended that the Possible Merger may involve an issue of approximately 3 billion shares, representing approximately 76% of the existing issued share capital and approximately 43% of the issued share capital of the Company as enlarged by such issue, by the Company to the shareholders of Wits Basin in consideration of the transfer of all their shares in Wits Basin to a wholly-owned subsidiary to be incorporated by the Company. If this happens, Easyknit International may cease to be a controlling shareholder of the Company.

Shareholders should note that as definitive documents in respect of the Possible Merger are yet to be agreed and entered into between the parties, the Possible Merger may or may not proceed. Shareholders and the public are advised to exercise caution when dealing in the shares of the Company.

Trading in the shares of the Company was suspended from 9:30 a.m. on Monday, 5 February 2007 pending the release of this announcement. Application has been made for the resumption of trading in the shares of the Company on the Stock Exchange at 9:30 a.m. on Wednesday, 7 February 2007.

Non-Binding Heads of Agreement

Reference is made to the announcements issued by the Company dated 30 November 2006 and 1 February 2007 (“Announcements”). Terms used herein have the meanings used in the Announcements.

The Company and Wits Basin entered into a non-binding heads of agreement on 2 February 2007 in respect of the Possible Merger (“Heads of Agreement”). Under the terms of the Heads of Agreement, it is intended that the Possible Merger may involve an issue of approximately 3 billion shares, representing approximately 76% of the existing issued share capital and approximately 43% of the issued share capital of the Company as enlarged by such issue, by the Company to the shareholders of Wits Basin in consideration of the transfer of all their shares in Wits Basin to a wholly-owned subsidiary to be incorporated by the

Company. If this happens, the shareholding of Easyknit International may be diluted from approximately 35.93% to approximately 20% and Easyknit International may cease to be a controlling shareholder of the Company. The Company will seek shareholders' approval for the issue of the consideration shares.

The estimate number of shares to be issued by the Company was determined based on the mutual intention that upon completion of the Possible Merger, if it proceeds, the then existing shareholders of Wits Basin and the Company will hold approximately 43% and 57% of shareholdings in the Company. According to information provided by Wits Basin to the Company, Wits Basin is a company incorporated in Minnesota, the United States of America whose principal business is the exploration and development of minerals in Mexico, Colorado and South Africa. The common stock of Wits Basin is traded on the Over-the-Counter Bulletin Board in the United States of America under the symbol "WITM." Based on information provided by Wits Basin, the Company understands that Wits Basin currently has over 3,000 holders of common stock and none of which holds more than 11% interest in Wits Basin. Assuming the Possible Merger proceeds and 3 billion shares are issued by the Company to the existing shareholders of Wits Basin on a pro rata basis, the Company believes that the Possible Merger will not result in an introduction of a new controlling shareholder of the Company. At the moment, the Company does not have any information as to whether any of the shareholders of Wits Basin (i) are acting or presumed to be acting in concert with each other (ii) hold any shareholding in the Company or (iii) are acting or presumed to be acting in concert with any shareholders of the Company. The Company will seek further information from Wits Basin if and when the Possible Merger proceeds.

In addition, the Heads of Agreement also provide that completion of the Possible Merger will be conditional upon, amongst other things, (i) 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 on the Stock Exchange; (ii) advance ruling by the Securities and Futures Commission of Hong Kong that the Possible Merger and transactions contemplated thereunder do not trigger mandatory takeover requirements under the Code on Takeovers and Mergers and Share Repurchases of Hong Kong ("Code"); (iii) approval of the Possible Merger and transactions contemplated thereunder by the shareholders of the Company, Wits Basin and the USA securities and other regulatory authorities; and (iv) satisfactory due diligence on each other by both parties. These conditions are not yet finalized and the Possible Merger is subject to contract.

Based on current negotiations, (i) the Company does not consider the Possible Merger, if it proceeds, will constitute a reverse take-over transaction under the Listing Rules since, as mentioned above, the Company believes that the Possible Merger will not result in a change in control of the Company and (ii) the parties intend that the Possible Merger will not proceed if it triggers mandatory takeover requirements under the Code. The Heads of Agreement also provide that Wits Basin will have representations on the Board and management of the Company, details of which to be agreed between the parties.

The parties agreed to negotiate the Possible Merger exclusively with each other until the signing of definitive documents or termination of the Heads of Agreement. If definitive documents are not entered into by the parties by 31 March 2007, either party may give each other 30 days' advance notice to terminate the Heads of Agreement.

Based on the current terms of the Heads of Agreement, the Company is of the opinion that it is not yet in a position to determine the type of notifiable transaction which the Possible Merger may constitute, if it proceeds, under Chapter 14 of the Listing Rules. The Company will comply with the requirements under the Listing Rules as and when necessary.

Shareholders should note that as definitive documents in respect of the Possible Merger are yet to be agreed and entered into between the parties, the Possible Merger may or may not proceed. Shareholders and the public are advised to exercise caution when dealing in the shares of the Company.

Trading in the shares of the Company was suspended from 9:30 a.m. on Monday, 5 February 2007 pending the release of this announcement. Application has been made for the resumption of trading in the shares of the Company on the Stock Exchange at 9:30 a.m. on Wednesday, 7 February 2007.

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, 6 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.