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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)

**CLARIFICATION ANNOUNCEMENT
IN RELATION TO THE
PROPOSED RIGHTS ISSUE
OF 1,963,537,620 RIGHTS SHARES
OF HK\$0.01 EACH AT HK\$0.052 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO SHARES HELD**

Capitalised terms used herein have the same meanings as ascribed to them in the announcement of the Company dated 6 December 2007 (“Announcement”).

As stated in the Announcement, the Company would seek legal opinions considering whether it is feasible to extend the Rights Issue to Overseas Shareholders. In any case, the Company would send the Prospectus only (without any PAL and EAF) to the Non-Qualifying Shareholders for their information.

Based on the register of members of the Company at the close of business on the Record Date, being 28 December 2007, there were two Shareholders with registered addresses in Malaysia and one Shareholder with a registered address in Spain.

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges.

Based on the legal advice provided by the relevant legal counsels, the Directors are of the view that the Rights Issue can be offered to the Overseas Shareholder in Spain as there are no restrictions on the offering of the Rights Issue to the Shareholder in that jurisdiction which would be difficult for the Company to comply with, or there are appropriate exemptions to the applicable restrictions in that jurisdiction. Therefore, provisional allotments of new Rights Shares will be made and the Prospectus Documents will be sent to the Overseas Shareholder in Spain.

The legal opinion obtained from legal advisers of the Company in Malaysia have indicated that the offering of the Rights Shares to the Overseas Shareholders in Malaysia is not prohibited under applicable Malaysian laws but is subject to certain requirements involving the lodgement of the Prospectus Documents. Due to the costs involved with the lodgement of the Prospectus Documents in compliance with the relevant laws and regulations, the Directors have determined that it is not expedient to make available the Rights Issue to these Overseas Shareholders as such costs would outweigh the possible benefit to the relevant Overseas Shareholders and the Company. In light of the requirement for lodgement, the Company will not send any Prospectus Documents to the Shareholders with registered addresses in Malaysia and no provisional allotment of Rights Shares will be made to these Overseas Shareholders.

A copy of the Prospectus will be posted on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.easyknitenterp.com>. Shareholders with registered addresses in Malaysia could refer thereto for details.

By order of the Board of
Easyknit Enterprises Holdings Limited
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 28 December 2007

At the date of this announcement, the Board comprises Mr Kwong Jimmy Cheung Tim and Ms Lui Yuk Chu as executive directors, Mr Tse Wing Chiu, Ricky as non-executive director and Mr Kan Ka Hon, Mr Lau Sin Ming and Mr Foo Tak Ching as independent non-executive directors.

** For identification only*