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## **EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

### **POSSIBLE DILUTION OF INTEREST IN EASYKNIT ENTERPRISES HOLDINGS LIMITED AND RESUMPTION OF TRADING**

The Board is aware that Easyknit Enterprises, an associate of the Company, has 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 lead to a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 20% and the Company may cease to be a controlling shareholder of Easyknit Enterprises.

**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.

Reference is made to the announcement issued by the Company dated 1 February 2007 ("Announcement"). Terms used herein have the meanings used in the Announcement.

#### **Possible Merger of Easyknit Enterprises Holdings Limited**

The Board is aware that Easyknit Enterprises and Wits Basin have entered into a non-binding heads of agreement ("Heads of Agreement") on 2 February 2007 in respect of the Possible Merger.

The Board understands that 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 Easyknit Enterprises as enlarged by such issue, by Easyknit Enterprises 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 Easyknit Enterprises. If this

happens, this may result in a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 20% and the Company may cease to be a controlling shareholder of Easyknit Enterprises. Easyknit Enterprises will seek its shareholders' approval for the issue of the consideration shares.

The estimate number of shares to be issued by Easyknit Enterprises was determined based on the mutual intention between the parties that upon completion of the Possible Merger, if it proceeds, the then existing shareholders of Wits Basin and Easyknit Enterprises will hold approximately 43% and 57% of shareholdings in Easyknit Enterprises. According to information provided by Wits Basin to Easyknit Enterprises, 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 Easyknit Enterprises to the existing shareholders of Wits Basin on a pro rata basis, the Company understands that the Possible Merger will not result in an introduction of a new controlling shareholder of Easyknit Enterprises. The Company understands that at the moment, Easyknit Enterprises 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 Easyknit Enterprises or (iii) are acting or presumed to be acting in concert with any shareholders of Easyknit Enterprises and Easyknit Enterprises 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 Easyknit Enterprises, 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, the Company understands that (i) Easyknit Enterprises 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 understands that the Possible Merger will not result in a change in control of Easyknit Enterprises 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 Easyknit Enterprises, details of which to be agreed between the parties.

The Board understands that 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 understands that Easyknit Enterprises 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.

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

As at the date of this announcement, the executive Directors are Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu and the independent non-executive Directors are Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang.

By order of the Board of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*President 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.*