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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)

DISCLOSEABLE TRANSACTION GRANT OF A LOAN

BACKGROUND

The Board wishes to announce that on 19 December 2018, the Lender entered into a Loan Agreement with the Borrower, pursuant to which the Lender has conditionally agreed to lend HK\$40,000,000 to the Borrower for period of twelve (12) months from the Drawdown Date. The Borrower shall pay interest to the Lender on the Loan at the rate of 15.50% per annum. The Loan will be secured by the Share Charges and the Personal Guarantee.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan exceeds 5% but was not more than 25%, the granting of the Loan constituted a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Lender, Great Sail Global Limited (a wholly owned subsidiary of the Company), entered into the 2016 Facility Agreement with Fortunate Gravity Hongkong Limited, the Borrower, under which the Lender granted to the Borrower a loan in the amount of HK\$100,000,000. As of the date of this announcement, the outstanding principal amount of the loan under the 2016 Facility Agreement is HK\$40,000,000.

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** for identification purposes only*

Summarized below are the principal terms of the Loan Agreement:

THE LOAN AGREEMENT

Date of Loan Agreement	:	19 December 2018;
Lender	:	Great Sail Global Limited;
Borrower	:	Fortunate Gravity Hongkong Limited;
Principal	:	HK\$40,000,000 (Hong Kong Dollars Forty Million);
Interest Rate	:	15.50% per annum;
Term	:	twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed to by the Lender in writing prior to the Maturity Date);
Security	:	the Share Charges and the Personal Guarantee;
Repayment	:	The Borrower shall repay the Loan in full (together with any interest accrued thereon and all other amounts accrued or outstanding under the Loan Agreement and any Security Documents computed up to the date of payment) on the Maturity Date;
Interest Payment Date	:	The last banking day of an Interest Period;
Interest Period	:	Each interest period shall be one (1) month;
Condition(s) Precedent	:	The Loan is conditional upon conditions precedent, including but not limited to, the following being satisfied: (1) the Lender having received the Share Charges duly executed together with all documents required pursuant thereto; (2) the Lender having received the Personal Guarantee duly executed together with all documents required pursuant thereto; and (3) the Lender having received from the Borrower a sum of HK\$1,282,192 as interest accrued on the outstanding loan advanced under the 2016 Facility Agreement for the period from 15 October 2018 up to 18 December 2018;
Early Repayment	:	the Borrower can early repay the Loan after the date falling six (6) months from the Drawdown Date.

The terms of the Loan Agreement were arrived at after arm's length negotiations between the Borrower and the Lender.

To the best knowledge of the Directors, and having made all reasonable enquiries, the Borrower and its ultimate beneficial owner are Independent Third Parties.

THE SHARE CHARGES AND PERSONAL GUARANTEE

The Loan will be secured by:

- (a) the FE Share Charge to be executed by Fortunate Gravity in favour of the Lender by way of a fixed charge over the Charged FE Shares;
- (b) the Fortunate Gravity Share Charges, one to be executed by Queen's Central Hongkong Limited and the other by Theone Holdings Limited, the shareholders of Fortunate Gravity, in favour of the Lender by way of a fixed charge over the Charged Fortunate Gravity Shares; and
- (c) the Personal Guarantee to be executed by the Guarantor in favour of the Lender

as continuing security for performance by the Borrower of its obligations in the Loan Agreement amongst other things.

Pursuant to the Share Charges, at any time after the occurrence of an event of default by the Borrower under the Loan Agreement, the Lender may, among other things, sell or dispose of all or any part of the Charged FE Shares and Charged Fortunate Gravity Shares, and may apply the proceeds of any such sale in or towards the discharge of the costs thereby incurred and of the obligations secured under the Security Documents in such manner as it in its absolute discretion thinks fit.

Pursuant to the Personal Guarantee, the Guarantor will undertake to pay to the Lender all sums, including but not limited to principal and interest, which become payable by the Borrower under the Loan Agreement.

OTHER TERMS OF THE LOAN AGREEMENT

The Loan shall be used exclusively for repayment of an equivalent outstanding principal amount of the loan advanced under the 2016 Facility Agreement.

REASONS FOR AND THE BENEFIT OF THE TRANSACTION

The reason for the Loan is to enable the resources of the Company not immediately required for its operations to be used in a secured loan offering a return higher than that available from bank deposits or similar investments, as the Company will benefit from the interest payable on the Loan.

Having considered (i) the terms of the Loan, including the interest rate; (ii) the Share Charges; and (iii) the Personal Guarantee, the Directors considers that the Loan is on normal commercial terms and the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan exceeds 5% but is not more than 25%, the granting of the Loan constituted a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

Information on the Group and the Lender

The Company is a holding company and the Group is principally engaged in property investment, property development, securities investment and loan financing business. The Lender, a wholly-owned subsidiary of the Company, is incorporated under the laws of the British Virgin Islands with limited liability.

Information on the Borrower and the Guarantor

The Borrower is an investment holding company incorporated under the laws of Hong Kong with limited liability. To the best knowledge of the Directors, and having made all reasonable enquiries, the Borrower and its ultimate beneficial owner(s) are Independent Third Parties.

The Guarantor is the director of the Borrower and is an Independent Third Party.

Information on FE

FE is a company incorporated under the laws of the Cayman Islands with limited liability. The shares of FE are listed on the Stock Exchange (Stock Code: 1175). According to publicly available information, FE and its subsidiaries are principally engaged in cold chain food integrated distribution in the PRC.

The following information is extracted from the public documents of FE:

	For the year ended 31 March	
	2018	2017
	<i>RMB '000</i>	<i>RMB '000</i>
Revenue	978,781	1,520,846
Profit before tax	13,297	47,481
Profit after tax	7,993	40,243

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2016 Facility Agreement” the facility agreement dated 16 November 2016 (as supplemented and amended from time to time) entered into between the Borrower and the Lender pursuant to which the Lender has provided a facility up to HK\$100,000,000 to the Borrower;

“Board”	the board of Directors of the Company;
“Borrower” or “Fortunate Gravity”	Fortunate Gravity Hongkong Limited, a company incorporated in Hong Kong with limited liability;
“Charged FE Shares”	a total of 298,840,000 FE Shares, representing approximately 18.15% of the issued share capital of FE;
“Charged Fortunate Gravity Shares”	in aggregate, the entire issued share capital of Fortunate Gravity;
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1218);
“Directors”	the directors of the Company;
“Drawdown Date”	the date on which the Loan is drawn down;
“FE”	Fresh Express Delivery Holdings Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 1175);
“FE Share(s)”	ordinary shares of HK\$0.01 each in the share capital of FE;
“FE Share Charge”	the deed to be executed by Fortunate Gravity in favour of the Lender by way of a fixed charge over 298,840,000 FE Shares, representing approximately 18.15% of the issued share capital of FE as security for due performance of the Borrower under the Loan Agreement;
“Fortunate Gravity Share Charges”	two share charges, one to be executed by each of its shareholders in favour of the Lender by way of a fixed charge over in aggregate the entire issued shares in the share capital of Fortunate Gravity as security for due performance of the Borrower under the Loan Agreement;
“Guarantor”	Ms. Wang Jie, an individual Independent Third Party, a sole director of Fortunate Gravity and a guarantor under the Personal Guarantee;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	person(s) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules);

“Lender”	Great Sail Global Limited, a wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan in the amount of HK\$40,000,000 granted by the Lender to the Borrower subject to and upon the terms of the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between the Borrower and the Lender dated 19 December 2018;
“Maturity Date”	the day that is twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed to by the Lender in writing prior to the Maturity Date);
“Personal Guarantee”	the deed of guarantee to be executed by Ms. Wang Jie in favour of the Lender guaranteeing the obligations of the Borrower under the Loan Agreement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Security Documents”	the Share Charges and the Personal Guarantee;
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company;
“Share Charges”	the FE Share Charge and Fortunate Gravity Share Charge;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By Order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Chief Executive Officer

Hong Kong, 20 December 2018

As at the date hereof, the Board comprises Mr. Tse Wing Chiu Ricky, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.