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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)

MAJOR TRANSACTION GRANT OF A LOAN

The Company wishes to announce that on 10 June 2015, the Lender entered into the Loan Agreement with the Borrower, pursuant to which the Lender has conditionally agree to lend HK\$185,000,000 to the Borrower for period of 12 month from the Drawdown Date. The Borrower shall pay interest to the Lender on the Loan at the rate of 17% per annum. The Loan is secured by Share Charges and Guarantee.

As the highest applicable Percentage Ratio calculated under Rule 14.07 of the Listing Rules in respect of the Loan is more than 25% but less than 100%, the grant of the Loan pursuant to the Loan Agreement and the transaction contemplated under the Loan Agreement constitutes a major transaction for the Company, which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE LOAN AGREEMENT

Date: 10 June 2015

Parties: (i) Charming Flash Limited, as lender; and
(ii) China Sunshine Investment Limited, as borrower.

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

Purpose of the Loan

The Loan shall be used exclusively for repayment of certain indebtedness of the Borrower and general working capital of the Borrower.

** for identification purposes only*

Principal terms

- Amount of the Loan: HK\$185,000,000.
- Interest rate: Interest shall accrue on the Loan at the rate of 17% per annum.
- Interest shall be paid by monthly in arrears, commencing from the Drawdown Date.
- The interest rate was determined by arm-length negotiations between the parties.
- Term: The Loan is repayable in one lump sum on the Maturity Date, being the day that is twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed by the Lender and the Borrower). At the request of the Borrower, the Lender may (but not obliged to) extend the Maturity Date for further six (6) months.
- Repayment: The total outstanding principal 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 are payable on the Maturity Date.
- Security: the Share Charges and the Guarantee.
- Conditions precedent: The making of the Loan under the Loan Agreement is conditional upon conditions precedent including the following being satisfied:
- (1) in the opinion of the Lender, there has been no material adverse effect on (a) the ability of any of the Borrower or the Security Parties to perform its obligations under any of the Security Documents to which it is or is to be a party; (b) the business, operations, assets, financial condition or prospects of the Borrower or any other Security Parties; or (c) the validity or enforceability of any Security Documents; since the date of the Loan Agreement;
 - (2) the Share Charges duly executed together with all documents required pursuant thereto; and
 - (3) the Guarantee duly executed together with all documents required pursuant thereto.

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

THE SHARE CHARGES AND GUARANTEE

The Loan is secured by:

- (a) the Wuyi Share Charge (Bright Elite) to be executed by Bright Elite in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Bright Elite);
- (b) the Wuyi Share Charge (Orient Day) to be executed by Orient Day in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Orient Day);
- (c) the Wuyi Share Charge (Thousand Space) to be executed by Thousand Space in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Thousand Space);
- (d) the Bright Elite Share Charge to be executed by Mr. Lin Qingping in favour of the Lender by way of a fixed charge over the entire issued share capital of Bright Elite;
- (e) the Orient Day Share Charge to be executed by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei in favour of the Lender by way of a fixed charge over the entire issued share capital of Orient Day;
- (f) the Thousand Space Share Charge to be executed by Mr. Lin Ouwen in favour of the Lender by way of a fixed charge over the entire issued share capital of Thousand Space; and
- (g) the Guarantee executed by the Guarantors in favour of the Lender,

as continuing securities and continuing obligation 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, which is continuing, including but not limited to, (a) the Borrower fails to pay any sum payable under the Loan Agreement in accordance with the terms thereof; (b) the Borrower or any Security Party fails duly and punctually to perform or comply with any of its respective obligations or undertakings under the Loan Agreement or any Security Document; or (c) any representation or warranty made by the Borrower or any Security Party in or in connection with the Loan Agreement or any Security Document proves to have been incorrect or misleading in any respect, the Lender may, among other things, sell or dispose of all or any part of the Charged Wuyi Shares and shares of Bright Elite, Orient Day and Thousand Space charged under the Wuyi Share Charges, the Bright Elite Share Charge, the Orient Day Share Charge and the Thousand Space Share Charge respectively, 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 Guarantee, the Guarantors have jointly and severally guarantee and undertake as principal obligors on first demand by the Lender to pay to the Lender all sums, including but not limited the principal and interests, which are become payable by the Borrower under the Loan Agreement.

REASONS FOR AND THE BENEFIT OF THE TRANSACTION

The reason for the Loan is to enable investment of cash resources of the Company not immediately required in its operations in a secured loan offering a return well in excess of returns available from bank deposits or similar investments, and the Company will benefit from the interest payable to it on the Loan.

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

INFORMATION ON THE LENDER AND THE BORROWER

The Lender is an investment holding company incorporated under the laws of the BVI with limited liability and is a direct wholly-owned subsidiary of the Company. The Company is an investment holding company and the Group principally engaged in property investments, property development, garment sourcing and export businesses, investment in securities and loan financing.

The Borrower is an investment holding company incorporated under the laws of Hong Kong with limited liability and is wholly-owned by Mr. Lin Ouwen. Bright Elite, Orient Day and Thousand Space are investment holding companies under the laws of the BVI with limited liability and are Independent Third Parties.

INFORMATION ON THE SECURITY PARTIES AND WUYI

Bright Elite, Orient Day and Thousand Space are investment holding companies incorporated under the laws of the BVI with limited liability and are Independent Third Parties who hold the Charged Wuyi Shares.

The Guarantors, through their respective interests in Bright Elite, Orient Day and Thousand Space, are the ultimate beneficial owners of the Charged Wuyi Shares and are Independent Third Parties.

According to publicly available information, Wuyi and its subsidiaries is principally engaged in manufacturing, marketing, and selling their branded prescription and over-the-counter western pharmaceuticals and modern Chinese medicine products. Wuyi is a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 1889).

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

	For the year ended 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	549,625	532,341
(Loss)/ Profit before taxation	(41,196)	2,049
Net loss after taxation	(44,029)	(3,555)

LISTING RULES IMPLICATIONS

As the highest applicable Percentage Ratio calculated under Rule 14.07 of the Listing Rules in respect of the Loan is more than 25% but less than 100%, the grant of the Loan pursuant to the Loan Agreement and the transaction contemplated under the Loan Agreement constitutes a major transaction for the Company, which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals of the grant of the Loan pursuant to the Loan Agreement and the transaction contemplated under the Loan Agreement and the Security Documents have been obtained from Sea Rejoice Limited and Magical Profits Limited, the substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the date of this announcement. Sea Rejoice Limited which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of the Company. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued shares of the Company is wholly-owned by The Winterbotham Trust Company Limited as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive director of the Company) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

A circular containing, among other things, details of the Loan and the transactions contemplated under the Loan Agreement and the Security Documents is expected to be despatched to the Shareholders on or before 2 July 2015 in accordance with the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Borrower”	China Sunshine Investment Limited (中華陽光投資有限公司), a company incorporated in Hong Kong with limited liability, which is beneficially and solely owned by Mr. Lin Ouwen
“Bright Elite”	Bright Elite Management Limited, a company incorporated in the BVI and is wholly-owned by Mr. Lin Qingping and is interested in 280,352,000 Wuyi Shares
“Bright Elite Share Charge”	the share charge to be executed by Mr. Lin Qingping in favour of the Lender by way of a fixed charge over the entire issued shares in the share capital of Bright Elite, as security for due performance of the Borrower under the Loan Agreement
“BVI”	the British Virgin Islands
“Charged Wuyi Shares”	the Charged Wuyi Shares (Bright Elite), the Charged Wuyi Shares (Orient Day) and the Charged Wuyi Shares (Thousand Space), for a total of 864,505,900 Wuyi Shares, representing approximately 50.56% of the issued share capital of Wuyi
“Charged Wuyi Shares (Bright Elite)”	280,352,000 Wuyi Shares beneficially owned by Mr. Lin Qingping through his interests in Bright Elite, representing approximately 16.40% of the issued share capital of Wuyi
“Charged Wuyi Shares (Orient Day)”	136,951,000 Wuyi Shares beneficially owned by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei through their respective interests in Orient Day, representing approximately 8.01% of the issued share capital of Wuyi
“Charged Wuyi Shares (Thousand Space)”	447,202,900 Wuyi Shares beneficially owned by Lin Quwen through his interests in Thousand Space, representing approximately 26.16% of the issued share capital of Wuyi
“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

“Directors”	the directors of the Company
“Drawdown Date”	the date on which the Loan is drawn down
“Guarantee”	the deed of guarantee to be executed by each of the Guarantors in favour of the Lender guaranteeing the obligations of the Borrower under the Loan Agreement
“Guarantors”	Mr. Lin Ouwen, Mr. Lin Qingping, Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei, who are the ultimate beneficial owners of the Charged Wuyi Shares and are Independent Third Party, and the guarantors under the 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 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 that term is defined in the Listing Rules)
“Lender”	Charming Flash Limited, a direct wholly-owned subsidiary of the Company incorporated in the BVI with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the amount of HK\$185,000,000 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 10 June 2015
“Maturity Date”	the day that is twelve (12) calendar months from the Drawdown Date (or such later day as shall be agreed by the Lender and the Borrower)
“Orient Day”	Orient Day Management Limited, a company incorporated in the BVI and is owned as to approximately 45.45% by Mr. Liu Daohua, 31.17% by Ms. Xue Mei and 23.38% by Mr. Lin Qingmei respectively, and is interested in 136,951,000 Wuyi Shares

“Orient Day Share Charge”	the share charge to be executed by Mr. Liu Daohua, Ms. Xue Mei and Mr. Lin Qingmei in favour of the Lender by way of a fixed charge over the entire issued shares in the share capital of Orient Day, as security for due performance of the Borrower under the Loan Agreement
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Security Documents”	the Share Charges and the Guarantee
“Security Parties”	the Guarantors, Bright Elite, Orient Day and Thousand Space
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Share Charges”	the Bright Elite Share Charge, the Orient Day Share Charge, the Thousand Space Share Charge and the Wuyi Share Charges
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thousand Space”	Thousand Space Holdings Limited, a company incorporated in the BVI and is wholly-owned by Mr. Lin Ouwen and is interested in 447,202,900 Wuyi Shares
“Thousand Space Share Charge”	the share charge to be executed by Mr. Lin Ouwen in favour of the Lender by way of a fixed charge over the entire issued shares in the share capital of Thousand Space, as security for due performance of the Borrower under the Loan Agreement
“Wuyi”	Wuyi International Pharmaceutical Co., Ltd., a company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (stock code: 1889)
“Wuyi Share Charge (Bright Elite)”	the share charge to be executed by Bright Elite in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Bright Elite), as security for due performance of the Borrower under the Loan Agreement

“Wuyi Share Charge (Orient Day)”	the share charge to be executed by Orient Day in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Orient Day), as security for due performance of the Borrower under the Loan Agreement
“Wuyi Share Charge (Thousand Space)”	the share charge to be executed by Thousand Space in favour of the Lender by way of a fixed charge over the Charged Wuyi Shares (Thousand Space), as security for due performance of the Borrower under the Loan Agreement
“Wuyi Share Charges”	the Wuyi Share Charge (Bright Elite), the Wuyi Share Charge (Orient Day) and the Wuyi Share Charge (Thousand Space)
“Wuyi Shares”	ordinary shares of HK\$0.01 each in the share capital of Wuyi
“%”	per cent

By Order of the Board
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 10 June 2015

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