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China Futex Holdings Limited

中國福紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8506)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE ON COOPERATION WITH BEIJING SOUSOU IN RELATION TO THE INITIAL DEVELOPMENT OF E-COMMERCE BUSINESS

This announcement is made by China Futex Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to provide its shareholders and potential investors with information on the latest business development of the Group.

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to announce that on 21 April 2021, Shenzhen Junyouan New Retail Co. Ltd.* (深圳君有安新零售有限公司) (“**Shenzhen Junyouan**”), an indirect wholly-owned subsidiary of the Company, entered into an authorisation agreement (the “**Authorisation Agreement**”) with Beijing Sousou Kuaipao Technology Co. Ltd.* (北京嗖嗖快跑科技有限公司) (“**Beijing Sousou**”), as an initiative of the Group to commence its new business in the e-commerce industry.

Beijing Sousou was established in the People’s Republic of China (the “**PRC**”) in October 2015 and is owned as to approximately 25.37% by Mr. Cheng Jun, an executive Director and the chairman of the Board, as at the date of this announcement. Beijing Sousou principally engages in the development and operation of an online platform and mobile applications for e-commerce and online community marketing.

Pursuant to the Authorisation Agreement, Shenzhen Junyouan and Beijing Sousou will enter into a community manager service agreement (the “**Community Manager Service Agreement(s)**”) with each of the community managers (the “**Community Manager(s)**”). Under each of the Community Manager Service Agreements entered into with the respective Community Manager, the respective Community Manager shall pay an agreed fee of RMB31,000 to Beijing Sousou (the “**Agreed Fee**”) for (i) the use of the online platform operated by Beijing Sousou; and (ii) the Services (as defined below) provided by Shenzhen Junyouan to the respective Community Manager. Each Community Manager is principally responsible for the promotion and development of stores located in designated geographical areas on the online platform operated by Beijing Sousou and the provision of related support and consultancy services to the stores in relation to the use of such online platform. In return, each Community Manager will be entitled to charge a certain percentage of the profits

generated from stores and items promoted by him/her as his/her own revenue. As the business of the Community Managers requires a certain level of skills, which can be acquired after specific trainings, Beijing Sousou authorises Shenzhen Junyouan to provide technical support and training services to the Community Managers.

THE AUTHORISATION AGREEMENT

The term of the Authorisation Agreement is one year from the date of the Authorisation Agreement, which will be automatically renewed for one year save as otherwise agreed in writing by the parties.

The cooperation between Shenzhen Junyouan and Beijing Sousou pursuant to the Authorisation Agreement mainly includes the following:

1. Beijing Sousou authorises Shenzhen Junyouan to provide technical support and training services (the “**Services**”) to an agreed number of Community Managers in connection with knowledge and skills necessary for carrying out their duties as Community Managers under the Community Manager Service Agreements;
2. Beijing Sousou agrees to provide a list of Community Managers to Shenzhen Junyouan and to provide appropriate training to staff of Shenzhen Junyouan in relation to the provision of the Services by Shenzhen Junyouan; and
3. Beijing Sousou agrees to procure the entering into of the Community Manager Service Agreement (the form of which is set out in the Authorisation Agreement) among Beijing Sousou, Shenzhen Junyouan and each of the agreed number of Community Managers, whereby Shenzhen Junyouan will be entitled to a fixed amount of fees that represent 10% of the Agreed Fee under the Community Manager Service Agreements for the Services provided by Shenzhen Junyouan to the Community Managers. For the convenience of the Community Managers, all of the fees payable by the Community Managers under the Community Service Agreements will be paid to Beijing Sousou, and Beijing Sousou will, at the direction of the Community Managers, transfer 10% of the total fees paid by the Community Managers to Shenzhen Junyouan under the Community Manager Service Agreements.

In consideration of the arrangement under the Authorisation Agreement, Shenzhen Junyouan agrees to pay RMB1 million per year as authorisation fee to Beijing Sousou (the “**Authorisation Fee**”), while the Authorisation Fee in the second year is only payable if Shenzhen Junyouan requests additional training to be provided by Beijing Sousou to the staff of Shenzhen Junyouan in the second year.

According to the Authorisation Agreement and the terms set out in the form of the Community Manager Service Agreement contained in the Authorisation Agreement, Shenzhen Junyouan is expected to receive service fees for the Services it provides to the Community Managers, depending on the number of Community Managers it provides the Services to.

The Board considers that the Authorisation Agreement (including the form of the Community Manager Service Agreement) was entered into on normal commercial terms after arm’s length negotiation between Shenzhen Junyouan and Beijing Sousou, and such cooperation is in the interests of the Company and its shareholders as a whole.

INFORMATION ON BEIJING SOUSOU

Beijing Sousou, being the counter-party of the Authorisation Agreement, has extensive experience in the e-commerce market in the PRC, such as in developing and operating an online platform and mobile applications. It has obtained a High and New Technology Enterprise Certificate* (高新技術企業證書) jointly issued by the Beijing Municipal Science and Technology Commission* (北京市科學技術委員會), the Beijing Municipal Finance Bureau* (北京市財政局) and the Beijing Municipal Tax Service of the State Taxation Administration* (國家稅務局總局北京市稅務局) in December 2020. Beijing Sousou was also recognised as a Model Unit for the Year for Outstanding New Retail in the Internet* (互聯網年度優秀新零售示範單位) by the China Electronic Commerce Association* (中國電子商務協會) in June 2018 and the Most Outstanding Brand in the New Retail Industry in 2019* (2019年度新零售行業最具影響力品牌) by the China Brand Economic Research Institute* (中國品牌經濟研究院) in September 2019. As such, the Board believes that the Group's cooperation with Beijing Sousou under the Authorisation Agreement can bring positive impact on and assist the Group in its initial development in the e-commerce industry.

Save that Mr. Cheng Jun (an executive Director and the chairman of the Board) holds approximately 25.37% of the shares of Beijing Sousou as at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, other shareholders (and their respective ultimate beneficial owners) of Beijing Sousou are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”)).

REASONS FOR AND BENEFITS OF THE GROUP'S NEW BUSINESS PRESENCE IN THE E-COMMERCE INDUSTRY AND THE ENTERING INTO OF THE AUTHORISATION AGREEMENT

The Group is principally engaged in research and development, manufacturing and sale of circular knitting machines. Currently, the Group derives its revenue mainly from the sales of circular knitting machines (i) domestically under the Group's own brands; and (ii) overseas either under the Group's own brands or the brands specified by trading companies purchasing on OEM (original equipment manufacturer) basis. Taking into account the decrease in market demand for circular knitting machines as a result of the outbreak of the novel coronavirus (“**COVID-19**”) pandemic that has adversely affected the PRC's and global economic environment), the Board considers that there is an uncertainty on future market conditions of the textile industry in which the Group operates and that there is a need for the Group to diversify its development strategies in order to remain its profitability while facing the numerous uncertainties and challenges in the industry.

Meanwhile, the e-commerce market in the PRC has been growing rapidly in recent years, in particular, the COVID-19 pandemic has further affected consumer behaviour, by shifting from physical shopping to online transactions. Having considered the growth potential of the e-commerce industry in the PRC, the Board believes that the Group's new business presence in the e-commerce industry and the entering into of the Authorisation Agreement will enable the Group to capture the opportunities from the continuing expanding e-commerce market in the PRC, diversify its existing business portfolio and broaden its revenue base under the current challenging environment. Save for the Authorisation Fee, the Board does not expect substantial capital expenditures to be incurred for the proposed development.

Accordingly, the Board is of the view that the Group's new business presence in the e-commerce industry and the entering into of the Authorisation Agreement is in the interests of the Company and its shareholders as a whole.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

By order of the Board
China Futex Holdings Limited
Cheng Jun
Chairman and executive Director

Hong Kong, 21 April 2021

As at the date of this announcement, the executive Directors are Mr. Cheng Jun (Chairman), Ms. Yuan Yuan, Mr. Guan Min, Mr. Zheng Liangjian and Mr. Wang Kun; and the independent non-executive Directors are Dr. Hu Xudong, Mr. Shum Shing Kei and Mr. Chan Ka Leung Kevin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.kx-machine.com.

* *For identification purposes only*