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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)

DISCLOSEABLE TRANSACTION
FORMATION OF JOINT VENTURE COMPANY

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Reference is made to the Announcement in relation to the entering into of an authorisation agreement by Shenzhen Junyouan, an indirect wholly-owned subsidiary of the Company, with Beijing Sousou, as an initiative of the Group to commence its new business in the e-commerce industry. The Board is pleased to announce that on 25 June 2021 (after trading hours), Shenzhen Junyouan entered into the Investment Agreement with Beijing Sousou in relation to the formation of the JV Company with a registered capital of RMB50 million, among which, RMB30 million will be contributed by Shenzhen Junyouan in the form of cash and RMB20 million will be contributed by Beijing Sousou by way of injection of the Intangible Assets into the JV Company. Such capital contribution into the JV Company which involves injection of assets (other than cash) by Beijing Sousou would constitute an acquisition of assets by the Company under the GEM Listing Rules. Shenzhen Junyouan and Beijing Sousou shall pay up their respective amount of the capital contribution by cash and by injection of the Intangible Assets into the JV Company, respectively, before 31 December 2021 or such later date as agreed by Shenzhen Junyouan and Beijing Sousou in accordance with the Investment Agreement.

Upon the establishment of the JV Company, it will be owned as to 60% by Shenzhen Junyouan and 40% by Beijing Sousou, and its financial results will be consolidated into the Group's consolidated financial statements. Shenzhen Junyouan and Beijing Sousou plan to leverage their respective strengths to jointly establish the JV Company dedicated to the development of an online shopping mall and virtual red packets issuance business model in the PRC and the development of business in Hong Kong, Macau and Southeast Asia similar to the business model of Beijing Sousou in the PRC. Users of the online shopping mall gain virtual red packets upon online purchase of commodities which can then be used to exchange commodities at the online shopping mall.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the transactions contemplated under the Investment Agreement exceeds 5% but is less than 25%, the entering into of the Investment Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are as follows:

- Date: 25 June 2021
- Parties: (i) Shenzhen Junyouan
(ii) Beijing Sousou

JV Company: Sousou Hulian (Hainan) Technology Co. Ltd.* (嗖嗖互聯 (海南) 科技有限公司) (subject to the final name as approved and registered by the relevant government authority in the PRC), a company proposed to be established in the PRC

Business scope of the JV Company: (i) Technology development, technology consultation, technology services, technology promotion and technology transfer; (ii) computer technology training; (iii) computer systems services; (iv) data processing; (v) basic software services; (vi) application software services; (vii) software development; (viii) software consultation; (ix) market research; (x) corporate management consultation; (xi) corporate planning; (xii) advertisement design, production, agency and publication; and (xiii) undertaking of exhibitions and displays

(subject to the business scope as approved and registered by the business registration authority in the PRC)

Contribution to the registered capital: The total registered capital of RMB50 million will be contributed as follows:

- (i) RMB30 million by Shenzhen Junyouan in the form of cash; and
- (ii) RMB20 million by Beijing Sousou by way of injection of the Intangible Assets

The value of the Intangible Assets as at 31 May 2021 was approximately RMB24.74 million based on the cost approach as set out in the valuation report (the “**Valuation Report**”) prepared by an independent valuer

Upon establishment, the JV Company will become a 60% owned subsidiary of the Company and its financial results will be consolidated into the Group’s consolidated financial statements

Shenzhen Junyouan and Beijing Sousou shall pay up their respective amount of the capital contribution by cash and by injection of the Intangible Assets into the JV Company, respectively, before 31 December 2021. In the event that the trading of Shares on the Stock Exchange has not resumed before 31 December 2021, the aforesaid capital contribution should be paid up no later than 31 March 2022, unless otherwise agreed by Shenzhen Junyouan and Beijing Sousou in writing

Restriction on transfers and pre-emption rights: Any transfer of all or part of a party's equity interest in the JV Company by a shareholder of the JV Company (the "**Selling Party**") shall be subject to the written consent of the other shareholder (the "**Non-selling Party**"). The Non-selling Party who does not consent to the proposed transfer of the equity interest by the Selling Party shall acquire the equity interest proposed to be transferred by the Selling Party

The Non-selling Party shall have the pre-emption right to acquire the equity interest proposed to be transferred by the Selling Party on the same terms of transfer

Board composition and management of the JV Company: The board of directors of the JV Company shall comprise three directors and shall be elected by the shareholders of the JV Company. Shenzhen Junyouan is entitled to nominate two candidates and Beijing Sousou is entitled to nominate one candidate. The chairman of the board of directors, who shall also be the legal representative of the JV Company, will be elected from the two candidates nominated by Shenzhen Junyouan

The JV Company shall have one supervisor which shall be appointed by Beijing Sousou. The office of supervisor shall not be held by a director or senior management of the JV Company

The term of office for the directors and the supervisor shall be three years, which is renewable upon re-election

Distribution of dividends: The JV Company shall distribute dividends to its shareholders in proportion to their respective capital contribution that has been paid up, unless otherwise agreed by all shareholders

Term of operation of the JV Company: 30 years from the date of issue of the business licence of the JV Company, which may be extended upon unanimous agreement by the shareholders

The amount of registered capital is determined after arm's length negotiations between the Group and Beijing Sousou with reference to the Valuation Report, including (i) the unaudited net book value of the Intangible Assets of approximately RMB17.66 million as at 31 May 2021 and (ii) the valuation of the Intangible Assets.

The Directors consider the terms of the Investment Agreement (including the amount of registered capital) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Group

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.

Shenzhen Junyouan is an indirect wholly-owned subsidiary of the Company and is principally engaged in the development of innovative e-commerce retail business in the PRC, Hong Kong, Macau and Southeast Asia.

Information on Beijing Sousou

Beijing Sousou is a limited liability company established in the PRC and is principally engaged in the development and operation of an online platform and mobile applications e-commerce and online community marketing. 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.

Save that Mr. Cheng Jun (an executive Director and the chairman of the Board) holds approximately 22.83% 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 Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FORMATION OF JOINT VENTURE

As disclosed in the Announcement, in view of the decrease in market demand for circular knitting machines as a result of the outbreak of the COVID-19 pandemic, the Group has been seeking to capture the opportunities from the continuously expanding e-commerce market in the PRC, so as to diversify its existing business portfolio and broaden its revenue base under the current challenging environment. Having taken into account the principal activities of the JV Company (as mentioned under section headed "Formation of Joint Venture Company"), the Board is of the view that the formation of the JV Company is in line with the Group's strategy to establish a business presence in the e-commerce industry. Besides, given Beijing Sousou has extensive experience in the e-commerce market in the PRC and has a good track record and industrial reputation in operating innovative e-commerce business in the PRC, the Board considers that the cooperation with Beijing Sousou through the formation of the JV Company can enhance the Group's technological capabilities for its development in the e-commerce industry.

In view of the above, the Board considers that the entering into of the Investment Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

“Announcement”	the announcement of the Company dated 21 April 2021
“Beijing Sousou”	Beijing Sousou Kuaipao Technology Co. Ltd.* (北京嗖嗖快跑科技有限公司), a limited liability company established in the PRC on 20 October 2015
“Board”	the board of Directors
“Company”	China Futex Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (stock code: 8506)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“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)”	party(ies) independent of and not connected with the Company and its connected persons
“Intangible Assets”	the intellectual property rights in connection with seven software systems registered in the PRC to be injected by Beijing Sousou into the JV Company as capital contribution in accordance with the Investment Agreement

“Investment Agreement”	the investment agreement dated 25 June 2021 entered into between Shenzhen Junyouan and Beijing Sousou in respect of the formation of the JV Company
“JV Company”	Sousou Hulian (Hainan) Technology Co. Ltd.* (嗖嗖互聯(海南) 科技有限公司) (subject to the final name as approved and registered by the relevant government authority in the PRC), a limited liability company proposed to be established in the PRC by Shenzhen Junyouan and Beijing Sousou pursuant to the Investment Agreement
“Macau”	the Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Junyouan”	Shenzhen Junyouan New Retail Co. Ltd.* (深圳君有安新零售有限公司), a limited liability company established in the PRC on 2 April 2020 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 25 June 2021

At the date of this announcement, the executive Directors are Mr. Cheng Jun (Chairman), Mr. Guan Min, Mr. Zheng Liangjian and Mr. Wang Kun; and the independent non-executive Directors are 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 in 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*