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FURNIWEB HOLDINGS LIMITED

飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8480)

DISCLOSABLE TRANSACTION DISPOSAL OF PEWA

INTRODUCTION

On 10 January 2020 (after trading hours), the Vendors (both are indirect wholly-owned subsidiaries of the Company) entered into the Capital Transfer Agreement with the Purchaser (an independent third party) and the Target Company pursuant to which the Purchaser has conditionally agreed with the Vendors and the Target Company to (i) acquire the Charter Capital of the Target Company and (ii) pay the Agreed Settlement Debt subject to and upon the terms and conditions of the Capital Transfer Agreement as summarised in this announcement below.

The total consideration involved under the Capital Transfer Agreement, which will be settled in cash, is VND68,212,569,205 (equivalent to approximately USD2,945,911), comprising:

- (1) the Charter Capital Consideration for the Charter Capital of VND9,262,000,000 (equivalent to approximately USD400,000); and
- (2) the Agreed Loan Consideration for the Agreed Settlement Debt in the amount of VND58,950,569,205 (equivalent to approximately USD2,545,911).

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the Company will hold no equity interest in the Target Company.

IMPLICATIONS OF THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal is/are more than 5% but less than 25%, the Disposal contemplated under the Capital Transfer Agreement constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcements of the Company dated 4 October 2019 and 29 November 2019 in relation to the entering into by the Company with the Purchaser of the Term Sheet for the proposed disposal of the Target Company.

CAPITAL TRANSFER AGREEMENT

The Board announces that on 10 January 2020 (after trading hours), the Vendors entered into the Capital Transfer Agreement with the Purchaser and the Target Company in relation to the Disposal.

The principal terms of the Capital Transfer Agreement are set out below.

Date: 10 January 2020

Parties:

- (1) Furniweb Vietnam and Webtex (the Vendors);
- (2) Four K (the Purchaser); and
- (3) PEWA (the Target Company)

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Subject matters: Pursuant to the terms of the Capital Transfer Agreement, the Purchaser has conditionally agreed with the Vendors to:

- (a) acquire the Charter Capital, free from all encumbrances, from the Vendors; and
- (b) pay the Agreed Settlement Debt.

Consideration and payment terms: The total consideration involved under the Capital Transfer Agreement is VND68,212,569,205 (equivalent to approximately USD2,945,911), comprising:

- (1) the **Charter Capital Consideration** for the Charter Capital of VND9,262,000,000 (equivalent to approximately USD400,000) (which is inclusive of the deposit of USD192,500 paid by the Purchaser pursuant to the terms of the Term Sheet), which is payable, in cash, by the Purchaser to the Vendors (in their respective percentage of the Charter Capital contributed and held by each of them) within seven working days upon the execution of the Capital Transfer Agreement or upon obtaining the approval necessary for the transfer of the Charter Capital (whichever is later).

The Charter Capital Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to or having taken into account of, among other things, the unaudited net assets value of the Target Company as at 30 November 2019 of approximately VND4,634,000,000, historical financial performance of the Target Company and the outlook of the narrow elastic fabric industry in the foreseeable future.

Upon receipt of the Charter Capital Consideration in full, the Purchaser will become the legal and beneficial owner of the Charter Capital and have the right and be entitled to exercise all rights and assume all obligations attached or accruing to the Charter Capital including, without limitation, the right to receive all dividends, distributions or any return of capital declared, paid or made by the Target Company.

- (2) the **Agreed Loan Consideration** for the Agreed Settlement Debt in the amount of VND58,950,569,205 (equivalent to approximately USD2,545,911) which is payable by the Purchaser to the Vendors (or as they may direct), in cash, as settlement of the agreed amount of inter-company loans and debts owed by the Target Company in the following manner:
 - (a) approximately 53.7% of the Agreed Loan Consideration is payable at the same time as the date of the Vendors' receipt of the payment of the Charter Capital Consideration;
 - (b) approximately 23.1% of the Agreed Loan Consideration (less any uncollected debts owed to the Target Company by its debtors or any unrecorded liabilities arising on or before 30 November 2019, such amount to be mutually agreed upon) is payable within six months from the date of the Capital Transfer Agreement; and
 - (c) the balance of the Agreed Loan Consideration (less any uncollected debts owed to the Target Company by its debtors or any unrecorded liabilities arising on or before 30 November 2019, such amount to be mutually agreed) is payable within 12 months from the date of the Capital Transfer Agreement.

It is mutually agreed that, upon and subject to the full payment by the Purchaser and the receipt of the Agreed Loan Consideration by the Vendors (or as they may direct), the Vendors and/or their related companies will forgive and write off the balance of any inter-company loans whereupon the Target Company will be released from its liability to pay the same to the Vendors and/or their related companies. All taxes payable in respect of the writing off of the balance of any inter-company loans will be borne by the Vendors and/or their related companies.

Personal Guarantee:

Simultaneously with the execution of the Capital Transfer Agreement, the Guarantor (being a director of the Purchaser) will execute (and has executed) a guarantee in favour of the Vendors guaranteeing the Purchaser's due observance and performance of its obligations under the Capital Transfer Agreement.

Conditions:

Completion of the sale and purchase of the Charter Capital is subject to the satisfaction of, among others, the following Conditions (or, if applicable, waiver by the party entitled thereto) within ninety working days from the date of the Vendors' receipt of the Charter Capital Consideration (or any extension of time as mutually agreed):

- (a) the obtaining and production to the Purchaser of all approvals and authorisations of the Vendors and the Target Company and the attending to all registration and other procedures necessary to effectuate the transfer of the Charter Capital to the Purchaser and other ancillary matters in relation to the Disposal;
- (b) no material changes in the business operations and conditions and/or the prospects of the Target Company between 30 September 2019 (being the due diligence cut-off date) and the date of payment of the Charter Capital Consideration;
- (c) the obtaining of and production to the Purchaser all necessary approvals as required by Vietnam laws from the government of Vietnam, members' council, investment committee and any relevant third party for the transfer of the Charter Capital;

- (d) the Vendors having confirmed that there are no legal action or proceedings having been initiated or pending against the Target Company and/or the existing shareholders of the Target Company that may adversely affect the completion of the Capital Transfer Agreement;
- (e) no further indebtedness having been incurred by the Target Company between 30 September 2019 and the date of payment of the Charter Capital Consideration (save and except the Agreed Settlement Debt) as at the date of the Capital Transfer Agreement;
- (f) the production of sufficient evidence by the Vendors indicating repayment and cancellation of any and all loan agreements entered into by the Target Company and internal payables, and release of any and all secured assets of the Target Company under any related security agreement;
- (g) the production of such other evidence or documentation as may be required or advisable under applicable law or prevailing administrative practice to give full force and effect to the Capital Transfer Agreement as reasonably requested by the Purchaser; and
- (h) the production of a letter from the Vendors in form and substance satisfactory to the Purchaser to the effect that
 - (i) the warranties made by the Vendors and PEWA and contained in the Capital Transfer Agreement are true and correct as of the date of the Capital Transfer Agreement and/or the date of payment of the Charter Capital Consideration (as the case may be), as if made on and as of the date of payment of the Charter Capital Consideration; and
 - (ii) no order or injunction has been issued by any governmental authority in Vietnam that restrains, restricts, enjoins, prevents, prohibits or otherwise makes illegal the consummation of any of the transactions contemplated by the Capital Transfer Agreement or that has a material adverse effect on the Purchaser's ownership of any of the Charter Capital as of the date of payment of the Charter Capital Consideration.

Completion:

Completion of the sale and purchase of the Charter Capital shall take place on the day following the satisfaction (or waiver by the party entitled thereto) of all of the Conditions as disclosed above, unless extended by the parties to the Capital Transfer Agreement.

The Purchaser shall remain liable to pay the Agreed Settlement Debt to the Vendors pursuant to the terms of the Capital Transfer Agreement notwithstanding completion of the sale and purchase of the Charter Capital.

Board of Directors:

The Purchaser may appoint the board of directors, and take control of and be responsible for daily affairs and business operations, of the Target Company from the date of payment of the Charter Capital Consideration.

Indemnity:

The Vendors and the Target Company (together, the “**Indemnifiers**”) have agreed to jointly and severally indemnify, defend and hold the Purchaser, its subsidiaries, employees and representatives (together, the “**Indemnified Persons**”) harmless from and against any and all losses suffered by or any proceeding against any of them or the Target Company as a result of, arising from, or in connection with, or relating to, directly or indirectly, among other things, (i) from all liabilities which either the Target Company or the Indemnified Persons suffer or incur by reason of or in connection with any of the representations, warranties or covenants being untrue or inaccurate or any failure by the Indemnifiers to fulfil their obligations under the Capital Transfer Agreement, (ii) from all claims made by any third party in relation to a matter which constitutes a breach of or inaccuracy in any of the representations, warranties or covenants of the Indemnifiers in the Capital Transfer Agreement or any failure by the Indemnifiers to fulfil their obligations under the Capital Transfer Agreement or (iii) from any liability or claim which the Indemnified Persons suffer or incur as a result of any act or omission of the Indemnifiers in carrying on the business of the Target Company prior to the Vendors’ receipt of the Charter Capital Consideration or rendering the Capital Transfer Agreement or other agreements, instruments or documents to be executed pursuant to or in connection with the transactions contemplated thereunder to be deemed to be null and void.

It is agreed under the Capital Transfer Agreement that the Company will execute a guarantee in favour of the Purchaser guaranteeing the Vendors’ indemnity, compensation or remedies which is payable to the Purchaser in relation to the due observance and performance of the obligations of the Vendors and the Target Company under the above indemnity.

Termination:

The Capital Transfer Agreement may be terminated:

- by mutual consent of the Vendors and the Purchaser at any time prior to the date of payment of the Charter Capital Consideration.
- by the Purchaser if any of the Conditions are not satisfied within the time period stipulated under “Conditions” above and the Purchaser has not provided a waiver or if the Vendors and/or the Target Company are in breach of any of the terms and conditions of the Capital Transfer Agreement, the Purchaser is entitled to claim for specific performance and/or damages against the Vendors and/or the Company.
- by the Vendors if the Purchaser is in breach of any of the terms and conditions of the Capital Transfer Agreement whereupon the Vendors shall be entitled to claim for specific performance and damages against the Purchaser and/or the Guarantor.

If the Vendors are in default of the Conditions, or if the Capital Transfer Agreement is terminated pursuant to the terms thereof or if the transfer of the Charter Capital cannot be completed due to no fault, default and/or neglect of the Purchaser, the Charter Capital Consideration as well as the Agreed Settlement Debt which the Purchaser has paid are required to be refunded to the Purchaser.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability principally engaged in manufacturing of lingerie accessories.

INFORMATION ON THE GROUP AND THE VENDORS

The Group is principally engaged in the manufacturing and sale of elastic textile, webbings products and Polyvinyl Chloride related products, and retail business.

The Vendors are indirect wholly-owned subsidiaries of the Group. Furniweb Vietnam is incorporated in Vietnam and principally engaged in the manufacturing and sale of upholstery webbings and covered elastic yarn. Webtex is incorporated in Malaysia and principally engaged in investment holding and trading of machinery and accessories.

Furniweb Vietnam and Webtex are the existing shareholders of the Target Company and respectively contributed and held as to 57.14% and 42.86% of the Charter Capital.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Vietnam with limited liability and is principally engaged in the manufacture and sale of narrow elastic fabrics.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Group. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following summarises the financial information of the Target Company for the two years ended 31 December 2018 and for the six months' period ended 30 June 2019.

	For the year ended 31 December		For the six months' period ended 30 June
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(audited)	(audited)	(unaudited)
Revenue	27,657	18,931	8,939
Profit/(loss) before taxation	1,355	(2,779)	(1,769)
Profit/(loss) after taxation	1,050	(2,433)	(1,769)

Based on the unaudited management accounts of the Target Company, the unaudited net assets value of the Target Company as at 30 June 2019 and the book value of loan from the Vendors and/or the Vendors' related companies were approximately RM2,876,000 (equivalent to approximately USD702,000) and RM12,482,000 (equivalent to approximately USD3,045,000) respectively.

REASON FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Board believes the Disposal allows the Group to streamline its manufacturing division, better allocate or divert its resources to the manufacturing and sale of other products of the Group such as elastic textiles and webbing products which have better performance and/or to diversify the Group's business into other sources of income so as to enhance and create long-term benefit for the Company and its shareholders as a whole.

Having considered the above, the Board considers the terms of the Capital Transfer Agreement to be fair and reasonable, the Disposal is not in the ordinary and usual course of business of the Company, the transactions and arrangements contemplated under the Capital Transfer Agreement are in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Following the Disposal and for illustrative purposes, a pre-tax loss arising from the Disposal (representing the difference between the Charter Capital Consideration and the unaudited carrying amount of the Target Company as at 30 June 2019, net of written-off of inter-company loans, and the estimated transaction costs) of approximately RM278,000, (equivalent to approximately USD68,000) is expected to be recorded. The actual amount of loss as a result of the Disposal to be recognised by the Group will be subject to audit and may be different from the expected amount stated above.

IMPLICATIONS OF THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal is/are more than 5% but less than 25%, the Disposal constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As completion of the Capital Transfer Agreement is subject to certain Conditions, the Disposal together with the transactions and arrangements contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“Agreed Loan Consideration”	VND58,950,569,205 (equivalent to approximately USD2,545,911) agreed to be paid by the Purchaser to the Vendors (or as they may direct) as settlement of the Agreed Settlement Debt pursuant to the terms of the Capital Transfer Agreement
“Agreed Settlement Debt”	the agreed amount of inter-company loans and debts owed by the Target Company as at the date of the Capital Transfer Agreement
“Board”	the board of directors of the Company
“Capital Transfer Agreement”	the conditional capital transfer agreement entered into by the Purchaser with the Vendors and the Target Company on 10 January 2020 in relation to the Disposal
“Charter Capital”	the entire registered and paid-in charter capital of USD2,100,000 of the Target Company, which is contributed and held as to 57.14% by Furniweb Vietnam and 42.86% by Webtex

“Charter Capital Consideration”	the consideration agreed to be paid by the Purchaser to the Vendors (in their respective percentage of the Charter Capital contributed and held by each of them) for the acquisition of the Charter Capital in the amount of VND9,262,000,000 (equivalent to approximately USD400,000) pursuant to the terms of the Capital Transfer Agreement
“Company”	Furniweb Holdings Limited, a company incorporated in the Cayman Islands whose issued shares are listed on GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Capital Transfer Agreement
“Conditions”	the conditions precedent to completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Charter Capital by the Vendors to the Purchaser pursuant to the terms of the Capital Transfer Agreement
“Furniweb Vietnam”	Furniweb Vietnam Shareholdings Co., Ltd., a company incorporated in Vietnam and an indirect wholly-owned subsidiary of the Company, being one of the existing shareholders of the Target Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr Cheung Sui Lung, a director of the Purchaser and a guarantor under a personal guarantee executed in favour of the Vendors pursuant to the terms of the Capital Transfer Agreement to secure the due observance and performance of the Purchaser’s obligations under the Capital Transfer Agreement
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
“Purchaser”	FOUR K INVESTMENT LIMITED, the purchaser under the Capital Transfer Agreement
“RM”	Malaysian Ringgit, the lawful currency of Malaysia

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “PEWA”	Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd, an indirect wholly-owned subsidiary of the Company
“Term Sheet”	the term sheet dated 4 October 2019 entered into by the Company with the Purchaser in respect of the proposed Disposal (as announced by the Company in its announcement dated 4 October 2019)
“USD”	United States dollars, the lawful currency of the United States of America
“Vendors”	Furniweb Vietnam and Webtex, the Vendors under the Capital Transfer Agreement
“VND”	Vietnam Dong, the lawful currency of Vietnam
“Webtex”	Webtex Trading Sdn Bhd, a company incorporated in Malaysia and an indirect wholly-owned subsidiary of the Company, being one of the existing shareholders of the Target Company
“%”	per cent.

Note: When translated, each USD amount stated in this announcement was translated at the exchange rates of USD1 to VND23,155 and USD1 to RM4.09876.

By order of the Board
Furniweb Holdings Limited
Dato’ Lim Heen Peok
Chairman

Hong Kong, 10 January 2020

As at the date of this announcement, the non-executive Directors are Dato’ Lim Heen Peok (the chairman) and Mr. Yang Guang, the executive Directors are Mr. Cheah Eng Chuan, Dato’ Lua Choon Hann, Mr. Qu Weidong and Mr. Cheah Hannon, and the independent non-executive Directors are Mr. Ho Ming Hon, Dato’ Sri Wee Jeck Seng and Dato’ Sri Dr. Hou Kok Chung.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.furniweb.com.my.