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361 Degrees International Limited

361 度國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1361)

DISCLOSEABLE TRANSACTION FORMATION OF PARTNERSHIP AND INVESTMENT INTO DUOYIDU QUANZHOU

Reference is made to the announcement issued by 361 Degrees International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on 7 July 2020 in relation to a memorandum of understanding in relation to the proposed formation of a partnership (the “**Announcement**”). Unless otherwise specified in this announcement, terms used herein shall have the same meanings as those defined in the Announcement.

FORMATION OF PARTNERSHIP

The Board is pleased to announce that on 16 July 2020 (after trading hours), Sanliuyidu China, a wholly-owned subsidiary of the Company, entered into a limited partnership agreement (the “**Limited Partnership Agreement**”) with Jinfa Equity and Zhejiang Yingshi Equity Investment Fund Management Partnership (Limited Partnership)* (浙江盈實股權投資基金管理合夥企業(有限合夥)) (“**Zhejiang Yingshi**”) in respect of the establishment of a limited partnership in the PRC (the “**Partnership**”). According to the Limited Partnership Agreement, the total amount of capital commitments of the Partnership is RMB1.10 billion (the “**Total Commitments**”), of which Zhejiang Yingshi (as general partner) will contribute RMB1.10 million, while Sanliuyidu China and Jinfa Equity (as limited partners) will contribute RMB550.11 million and RMB548.79 million, respectively. The Partnership is accounted for as a subsidiary of the Company, and its results will be consolidated into the Group’s financial statements.

THE LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are summarized as follows:

- Date** : 16 July 2020 (after trading hours)
- Name of the Partnership** : 晉江市晉發一號股權投資合夥企業(有限合夥)
(Jinjiang City Jinfa No. 1 Equity Investment Partnership (Limited Partnership)*), a limited partnership established in accordance with the Partnership Laws of the PRC on 16 July 2020
- Partners** : General partner: Zhejiang Yingshi
- Limited partners: (1) Jinfa Equity; and
(2) Sanliuyidu China

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Zhejiang Yingshi and Jinfa Equity and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

- Purpose of the Partnership** : The purpose of the Partnership is to make investment into Duoyidu Quanzhou by way of subscription of not more than 40% of equity interest in Duoyidu Quanzhou. Duoyidu Quanzhou is the e-commerce platform of the Group and principally engaged in online distribution and sales of the sports products of the Group.

- Term of the Partnership** : The term of the Partnership shall be six (6) years commencing from the date of issue of the business licence of the Partnership.

The Partnership can also be terminated under the following events of dissolution:

- (1) the term of the Partnership has been expired;
- (2) events of dissolution under the Limited Partnership Agreement has been happened;
- (3) consent of all partners in the Partnership to dissolve;
- (4) no sufficient quorum of partners present for more than thirty (30) days;

- (5) the objectives of the Partnership have already been achieved or are unable to be achieved;
- (6) the business licence of the Partnership has been revoked or the Partnership has been ordered to be closed or dissolved according to law; and
- (7) any legal or administrative reasons and orders to dissolve.

Committed capital contribution

: The Total Commitments of the partners to the Partnership under the Limited Partnership Agreement is RMB1.10 billion.

Zhejiang Yingshi (as general partner) will be contributing RMB1.10 million (representing approximately 0.10% of the Total Commitments). Zhejiang Yingshi shall make contribution of RMB200,000 and RMB900,000, both by way of cash, before 30 August 2020 and 30 October 2020, respectively.

Each of Sanliuyidu China and Jinfa Equity (as limited partners) will be contributing RMB550.11 million (representing approximately 50.01% of the Total Commitments) and RMB548.79 million (representing approximately 49.89% of the Total Commitments), respectively. Sanliuyidu China shall make contribution of RMB100.02 million and the balance of RMB450.09 million, both by way of cash, before 30 August 2020 and 30 October 2020, respectively. Jinfa Equity shall make contribution of RMB99.78 million and the balance of RMB449.01 million, both by way of cash, before 30 August 2020 and 30 October 2020, respectively.

The Total Commitments and the amount of capital contribution by each partner are determined after arm's length negotiations among Zhejiang Yingshi, Sanliuyidu China and Jinfa Equity having taken into account, among other things, the proposed amount of investment into Duoyidu Quanzhou as agreed between the partners, which amount will be used as working capital for business expansion of the Group, in particular e-commerce business in order to cope with the changing consumer behaviors in China.

It is expected that the total capital commitment payable by Sanliuyidu China will be funded by internal resources of the Group.

The Partnership is accounted for as a subsidiary of the Company, and its results will be consolidated into the Group's financial statements.

Management of the Partnership : The partners shall jointly elect a partner as the executive Partner (the “**Executive Partner**”). Zhejiang Yingshi, the general partner, which was elected jointly by all the partners as the Executive Partner, will be responsible for the operation and management of the Partnership and act on behalf of the Partnership externally.

Except for matters stipulated under the Limited Partnership Agreement and in the Partnership Enterprise Law of the PRC which require unanimous decision by all the partners to the Partnership, all resolutions with respect to the execution of the affairs in the Partnership shall be decided by 50% or more of the actual paid-up capital contributed by all partners to the Partnership.

The other partners shall also have the authority to monitor and supervise the execution of the affairs in the Partnership by the Executive Partner. The Executive Partner shall regularly report to the other partners on the execution of the affairs of the Partnership, the business and financial status of the Partnership. The profits generated by the Executive Partner arising from the operation and management of the Partnership shall belong to the Partnership, and the expenses and losses incurred by the Executive Partner arising from the operation and management of the Partnership, shall also be borne by the Partnership.

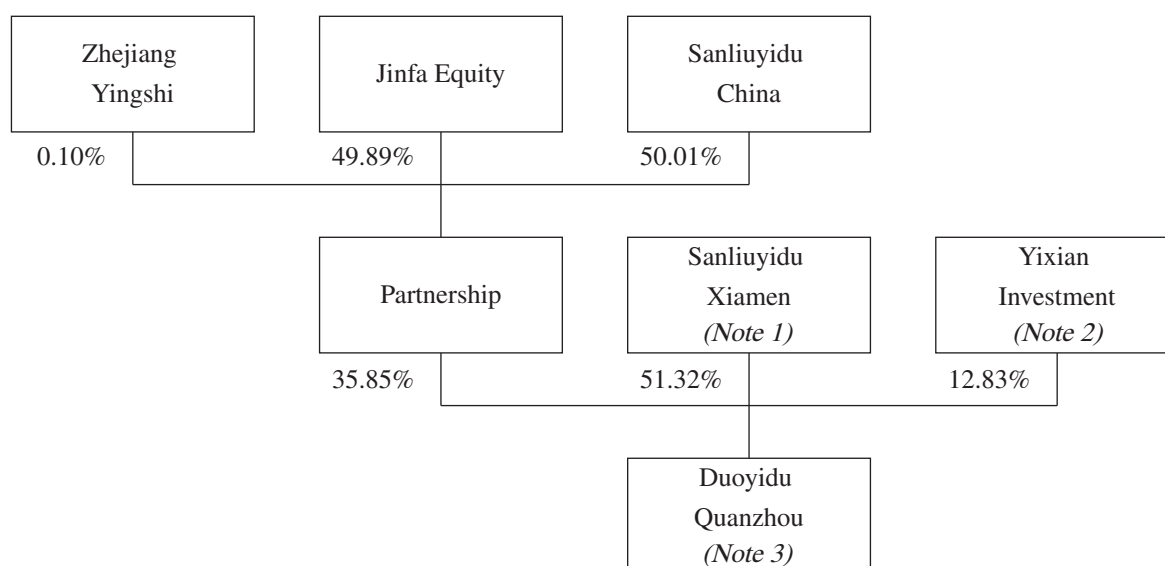
Distribution of investment proceeds and loss sharing : The profit and losses of the Partnership will be distributed or shared among all partners according to the proportion of their paid-up capital contributions to the Partnership.

Withdrawal of interest in the Partnership : Subject to the provisions of the Limited Partnership Agreement, a partner may withdraw its interests from the Partnership without adversely affecting the operation of the Partnership. Such partner shall notify the other partners 30 days in advance.

INVESTMENT INTO DUOYIDU QUANZHOU

On the same date, after its establishment, the Partnership entered into a capital increase agreement (the “**Capital Increase Agreement**”) with, among other parties, Duoyidu Quanzhou, pursuant to which the Partnership agreed to make an investment into Duoyidu Quanzhou of RMB1.10 billion by cash (the “**Investment**”).

Upon completion of the Investment, (a) the registered capital of Duoyidu Quanzhou will be increased from RMB3 million to approximately RMB4.68 million; (b) Duoyidu Quanzhou will be held as to approximately 51.32% by Sanliuyidu Xiamen Industry & Trade Co., Limited (三六一度(廈門)工貿有限公司) (“**Sanliuyidu Xiamen**”), approximately 12.83% by Jinjiang Yixian Investment Consulting Co., Ltd.* (晉江市逸賢投資諮詢有限公司) (“**Yixian Investment**”) and as to approximately 35.85% by the Partnership, respectively; (c) the Group’s direct interest in Duoyidu Quanzhou, held through Sanliuyidu Xiamen and the Partnership, will become 87.17%; (d) the Group’s effective interest in Duoyidu Quanzhou, being the aggregate of (i) the 51.32% held through Sanliuyidu Xiamen, and (ii) 17.93%, being 50.01% of the 35.85% interest held through the Partnership, would become 69.25%; and (e) Duoyidu Quanzhou will continue to be accounted for as a subsidiary of the Company and its results will continue to be consolidated into the Group’s financial statements. The following diagram sets forth a simplified structure chart of Duoyidu Quanzhou immediately after completion of the Investment:



Notes:

1. Sanliuyidu Xiamen is a limited liability company established in the PRC and principally engaged in the manufacturing and sales of sports products in the PRC. It is an indirect wholly-owned subsidiary of the Company and owns 80% equity interest in Duoyidu Quanzhou immediately prior to the signing of the Capital Increase Agreement.
2. Yixian Investment is a limited liability company established in the PRC and principally engaged in, among other things, corporate management consulting and trading. It is 100% owned by an employee of the Group. It owns 20% equity interest in Duoyidu Quanzhou immediately prior to the signing of the Capital Increase Agreement.
3. Duoyidu Quanzhou is a limited liability company established in the PRC and principally engaged in the online distribution and sales of the sports products of the Group. It is a 80% indirect non-wholly owned subsidiary of the Company immediately prior to the signing of the Capital Increase Agreement.

INFORMATION ON THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT

Jinfa Equity

Jinfa Equity is a limited partnership established in the PRC and owned by the municipal government of Jinjiang City, Fujian Province, the PRC. Jinfa Equity is principally engaged in, among others, supporting transformation and upgrading of listed enterprises in Jinjiang City, exploring new business sectors, creating new jobs and promoting steady development of the economy of Jinjiang City, the PRC. Jinfa Equity is one of the limited partners of the Partnership.

Sanliuyidu China

Sanliuyidu China is a company established in the PRC with limited liability and an indirectly owned subsidiary of the Company. Sanliuyidu China is primarily engaged in manufacturing and trading of sports products in the PRC. Sanliuyidu China is an indirect wholly-owned subsidiary of the Company and is one of the limited partners of the Partnership.

Zhejiang Yingshi

Zhejiang Yingshi is a limited partnership established in the PRC and owned by four individuals. Zhejiang Yingshi is a professional fund manager, which was established in response to the “Phoenix Plan” proposed by the government of Zhejiang Province to promote listing of companies and mergers and acquisitions. Zhejiang Yingshi is committed to assisting local governments to establish investment industry funds and introduce high-quality projects to the local area. Zhejiang Yingshi has been rooted in Zhejiang for five years with a fund size of over USD10 billion. Zhejiang Yingshi is the general partner of the Partnership.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Zhejiang Yingshi and Jinfa Equity and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFIT OF ENTERING INTO OF THE LIMITED PARTNERSHIP AGREEMENT AND INVESTMENT INTO DUOYIDU QUANZHOU

The Group is principally engaged in manufacturing and trading of sports products, including footwear, apparel, accessories and others in the PRC.

By leveraging the professional management experience of Zhejiang Yingshi as the general partner of the Partnership, and the support of additional capital to Duoyidu Quanzhou from the investment of the Partnership, the Board believes that formation of the Partnership and its investment into Duoyidu Quanzhou will boost the development of the Group’s e-commerce business.

In view of the above, the Board considers that the terms of the Limited Partnership Agreement are on normal commercial terms and are fair and reasonable, and that the entering into of the Limited Partnership Agreement are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The formation of the Partnership constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Limited Partnership Agreement exceeds 5% but less than 25%, the entering into of the Limited Partnership Agreement constitutes a discloseable transaction of the Company and are subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Partnership is accounted for as a subsidiary of the Company and its results will be consolidated into the Group's financial statements, the entering into of the Capital Increase Agreement between the Partnership and Duoyidu Quanzhou and the Investment contemplated thereunder is a transaction between two indirect non-wholly owned subsidiaries of the Company, and do not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

By order of the board of directors of
361 Degrees International Limited
Ding Huihuang
Chairman

Jinjiang, Fujian Province, the PRC, 16 July 2020

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and three independent non-executive directors, namely, Mr. Li Yuen Fai Roger, Mr. Hon Ping Cho Terence and Mr. Chen Chuang.

* *for identification purpose only*