CHINA FUTEX HOLDINGS LIMITED

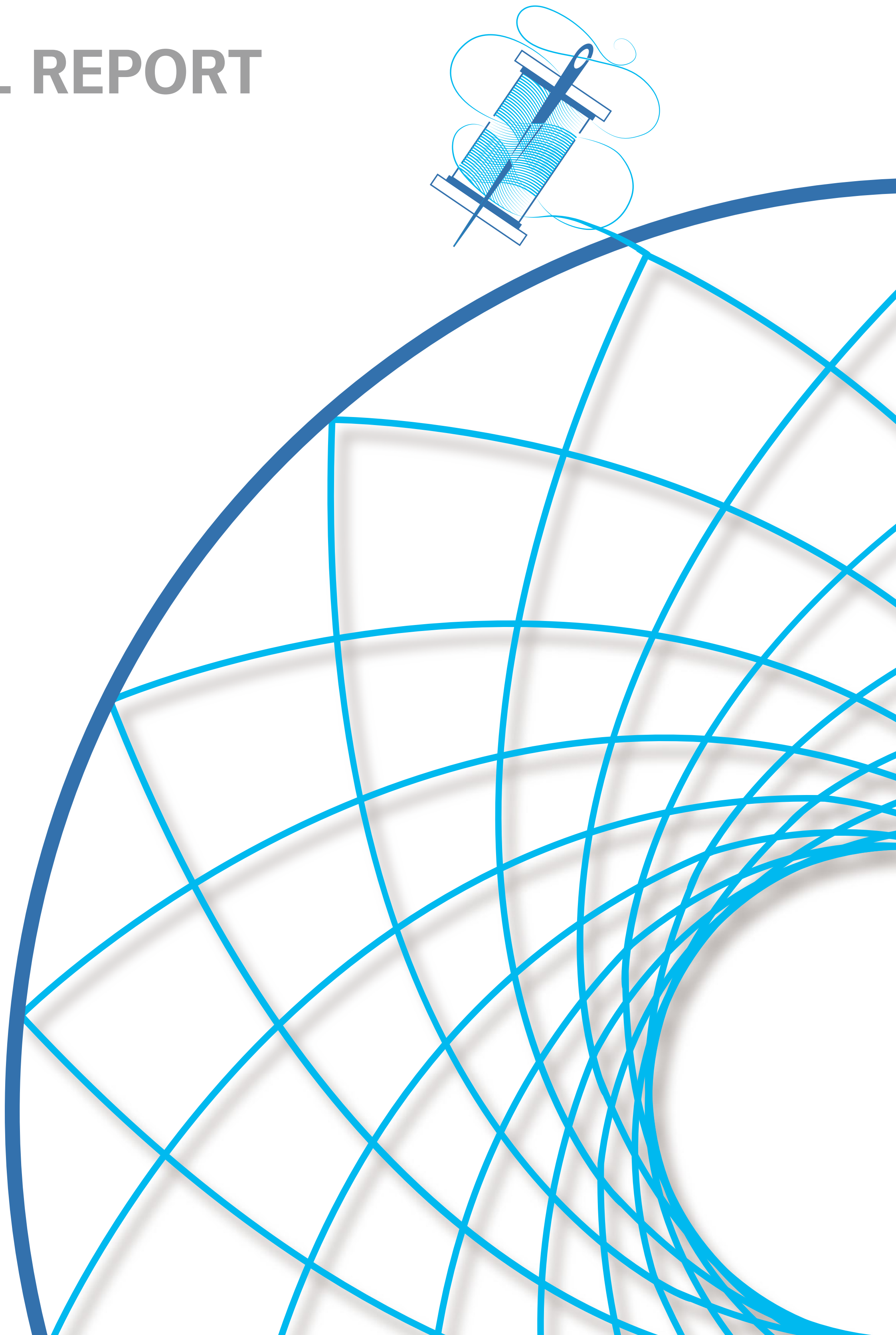
中國福紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8506

ANNUAL REPORT

2017



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, 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 report 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 report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yuan Yuan *(Chairlady and Chief Executive Officer)*
Mr. Chen Yihui
Mr. Zheng Jiafu

Independent Non-Executive Directors

Dr. Hu Xudong
Mr. Shum Shing Kei
Dr. Mu Zhirong

COMPANY SECRETARY

Ms. Chan So Fong, *Certified Public Accountant*

COMPLIANCE OFFICER

Ms. Yuan Yuan

AUTHORISED REPRESENTATIVES

Ms. Yuan Yuan
Ms. Chan So Fong

AUDIT COMMITTEE

Mr. Shum Shing Kei *(Chairman)*
Dr. Mu Zhirong
Dr. Hu Xudong

REMUNERATION COMMITTEE

Dr. Mu Zhirong *(Chairman)*
Ms. Yuan Yuan
Mr. Shum Shing Kei

NOMINATION COMMITTEE

Ms. Yuan Yuan *(Chairlady)*
Mr. Shum Shing Kei
Dr. Mu Zhirong

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited
39/F, One Exchange Square
Central, Hong Kong

AUDITORS

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China (Longhai Jiuhu Sub-branch)
Nandadaoshang Road, Lingdou Village
Jiuhu Town, Longhai City
Fujian Province
China

REGISTERED OFFICE

P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xiawei Village, Fugong Town
Longhai City, Fujian Province
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Unit 2406, 24/F
Bonham Trade Centre
50 Bonham Strand, Sheung Wan
Hong Kong

HONG KONG LEGAL ADVISERS

LF LEGAL
Suites 1001-02, 10/F
135 Bonham Strand Trade Centre
No. 135 Bonham Strand
Sheung Wan, Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

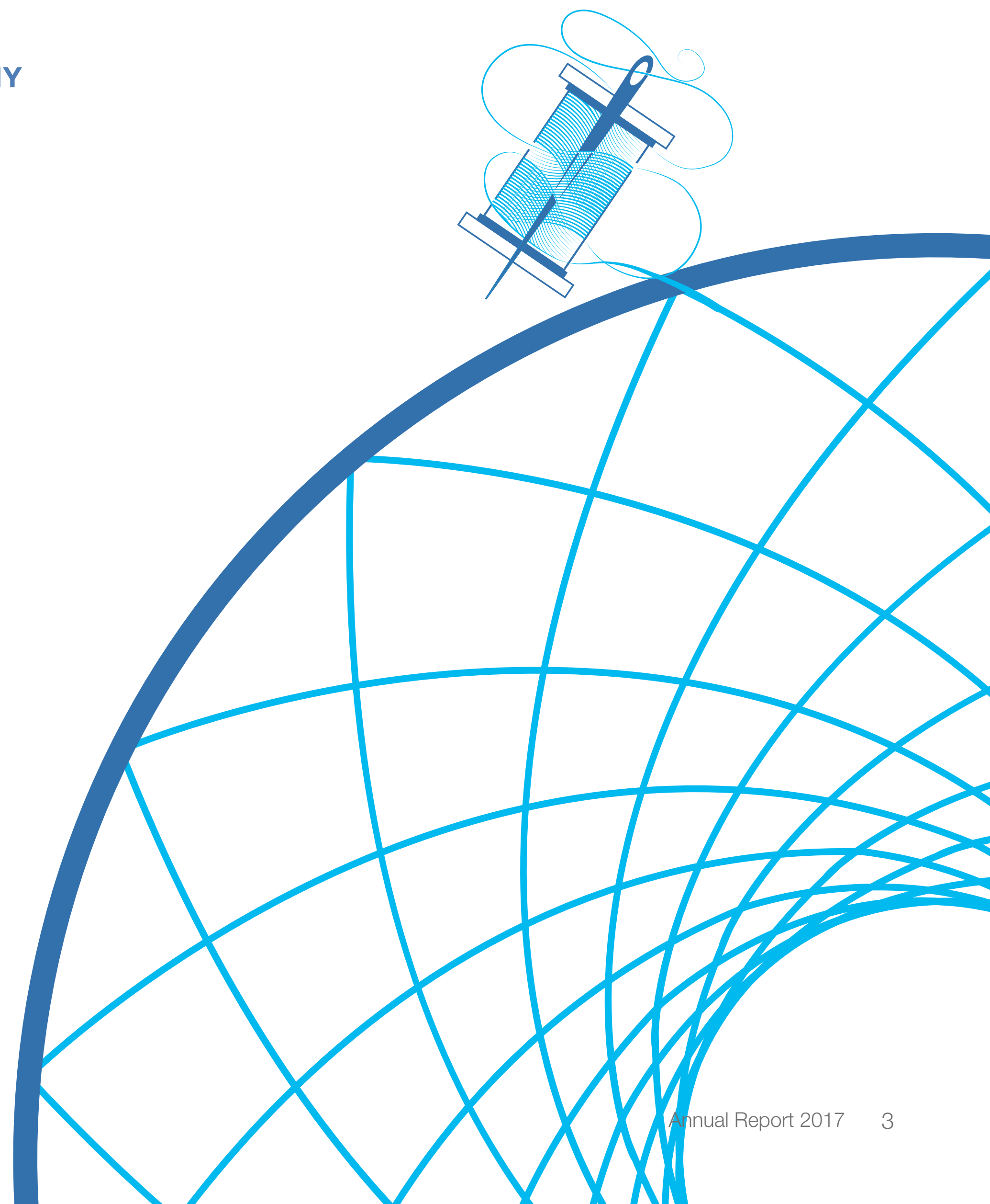
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8506

WEBSITE OF THE COMPANY

www.kx-machine.com



CHAIRLADY'S STATEMENT

Chairlady,
Yuan Yuan

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2017.

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB131.6 million, representing an increase of approximately 39.6% as compared to the year ended 31 December 2016. Profit attributable to owners of the Company increased significantly for approximately 75.7% from approximately RMB10.8 million for the year ended 31 December 2016 to approximately RMB19.0 million for the year ended 31 December 2017.

On 4 January 2018, the Company was successfully listed on GEM of the Stock Exchange. The Listing was encouraging and marks a significant milestone in the development of the Group. The Listing not only provides a platform for the Company to gain access to one of the significant capital markets in the world, it also enhances the Group's corporate profile and brand image and strengthens its financial position.

Going forward, the Group will continue to capture the huge opportunities in China, Southeast Asia and other Asian markets. The Group aims to boost its growth momentum by expanding its overseas customer base, production capacity and upstream production output, as well as strengthen customer loyalty, brand awareness and its research and development capabilities.

On behalf of the Board, I would like to express our sincere gratitude for the hard work of our staff, and the continuous and valuable support of the Group from all our Shareholders and stakeholders.

Yuan Yuan
Chairlady

Hong Kong, 16 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research and development, manufacturing and sale of circular knitting machines. 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 basis.

For the year ended 31 December 2017, the Group recorded a turnover of approximately RMB131.6 million, representing an increase of approximately 39.6% from approximately RMB94.3 million recorded for the year ended 31 December 2016. Profit attributable to owners of the Company for the year ended 31 December 2017 amounted to approximately RMB19.0 million, representing a significant increase of approximately 75.7% as compared with the profit of approximately RMB10.8 million for the year ended 31 December 2016.

In view of the shifting of the manufacturing base of textiles manufacturers to Southeast Asian and other Asian countries with a lower labour costs than the PRC, the Group expanded the geographical coverage of its products and adopted a more proactive approach in the expansion of its overseas business. The Group established a wholly-owned subsidiary, namely Zhangzhou Fukai, which commenced business operations in January 2017 to directly engage in sales to overseas customers. During the year ended 31 December 2017, Zhangzhou Fukai has successfully exported the Group's products to India, Bangladesh, Thailand, South Korea, Turkey and Egypt.

The Group has also continued to strengthen its research and development capabilities in order to respond to and anticipate changes in the market and enhance the Group's competitiveness within the circular knitting machinery industry. In 2017, the Group has applied for the registration of seven utility model patents in relation to circular knitting machines and amongst which three have been successfully registered during the year.

OUTLOOK

With the Group's long term objective to strengthen its position as one of the top ten circular knitting machine manufacturers in the PRC by enhancing its overall competitiveness in the circular knitting machinery industry, the Group intends to focus on (i) expanding its customer base in overseas markets; (ii) expanding its production capacity; (iii) expanding its production capabilities upstream; (iv) enhancing customer loyalty and brand awareness; and (v) continuing to maintain and enhance its research and development capabilities.

Looking ahead, the overseas circular knitting machinery market is expected to have a better business prospect than the domestic market. The Group plans to further develop the Group's brand recognition and expand its customer base by setting up local sales offices in overseas countries with a fast-growing circular knitting machinery market such as India and Bangladesh, maintaining and establishing long-term strategic business relationships with trading companies, exploring new sales platforms and approaching new customers.

In addition, in view of the Group's sales growth in recent years and to cope with the expected sales growth in the future, the Group plans to expand its production capacity by expanding the scale of production of its existing manufacturing facility and installing new automated processing equipment and machineries.

The Directors believe that the financial resources obtained by the Group from the Listing will strengthen its financial position and enable it to implement its business plan as mentioned above.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations are subject to certain risks and the major ones that may have a material and adverse effect on the Group's business, financial conditions and results of operations include: (i) the Group's research and development may not be able to catch up with technological advancements which are important for the Group to maintain its competitiveness; and (ii) the Group may be unable to collect its trade receivables in a timely manner and have to record impairment losses. In addition, the Group's activities are exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk.

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from the manufacturing and sales of circular knitting machines which can be classified into (i) single circular knitting machines; and (ii) double circular knitting machines. For the year ended 31 December 2017, the Group recorded revenue of approximately RMB131.6 million, representing an increase of approximately 39.6% when compared with the previous year of approximately RMB94.3 million. Such increase was mainly attributable to the significant increase in sales volume of double circular knitting machines and in overseas sales. The sales of single circular knitting machines increased by approximately 13.1% from approximately RMB32.2 million for the year ended 31 December 2016 to approximately RMB36.4 million for the year ended 31 December 2017. The sales of double circular knitting machines increased significantly by approximately 69.2% from approximately RMB55.8 million for the year ended 31 December 2016 to approximately RMB94.4 million for the year ended 31 December 2017. Overseas sales increased by approximately 98.3% from approximately RMB36.5 million for the year ended 31 December 2016 to approximately RMB72.4 million for the year ended 31 December 2017.

Cost of Goods Sold

The Group's cost of goods sold for the year ended 31 December 2017 was approximately RMB83.9 million, representing an increase of approximately 37.7% from approximately RMB60.9 million in respect of the year ended 31 December 2016. Such increase was primarily due to an increase in revenue of the Group for the year ended 31 December 2017.

Gross Profit and Gross Profit Margin

In line with the Group's increased revenue, the Group's gross profit for the year ended 31 December 2017 was approximately RMB47.8 million, representing an increase by approximately 42.9% when compared with its gross profit of approximately RMB33.4 million for the year ended 31 December 2016. The Group's gross profit margin slightly increased from approximately 35.4% for the year ended 31 December 2016 to approximately 36.3% for the year ended 31 December 2017. This was primarily due to the magnitude of the increase in the cost of goods sold which was smaller than the increase in the revenue for the year ended 31 December 2017.

Other Income

The Group's other income consists of rental income, scrap sales and interest income on bank deposits. The Group's other income remained stable at approximately RMB836,000 and RMB813,000 for the year ended 31 December 2017 and 31 December 2016, respectively.

Selling Expenses

The Group's selling expenses mainly consist of travelling, entertainment and transportation expenses, sales staff salary and staff benefits expenses. For the year ended 31 December 2017, the Group's selling expenses were approximately RMB2.5 million, representing an increase of approximately 16.9% over the selling expenses of approximately RMB2.1 million for the year ended 31 December 2016. The increase was primarily due to the increase in sales and marketing effort in 2017 through attendance of local and international industry exhibitions which successfully led to a revenue growth of approximately 39.6%.

Administrative Expenses

The Group's administrative expenses mainly include (i) research and development expenses; (ii) employee salary and benefits expenses; and (iii) Listing expenses. The Group's administrative expenses for the year ended 31 December 2017 were approximately RMB19.2 million, representing an increase of approximately 26.8% over the administrative expenses of approximately RMB15.2 million for the year ended 31 December 2016. The increase was primarily attributable to (i) increase in research and development expenses; and (ii) full contributions to the social insurance and housing provident fund for employees.

Finance Costs

The Group's finance costs remained stable at approximately RMB2.4 million and RMB2.3 million for the year ended 31 December 2017 and 31 December 2016, respectively.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2017 was approximately RMB5.6 million, representing an increase of approximately 44.3% from approximately RMB3.9 million for the year ended 31 December 2016. Such increase was in line with the increase in revenue for the year ended 31 December 2017. The effective income tax rates of the Group, which equal to the income tax expense divided by profit before tax, were approximately 26.3% and 22.7% for the year ended 31 December 2016 and 2017, respectively. The decrease in the effective income tax rate for the year ended 31 December 2017 was primarily attributable to the net effect of (i) the increase in profit before tax; (ii) the incurrence of Listing expenses that are not deductible; and (iii) the significant increase in the proportion of revenue contributed by the Group's subsidiary in the PRC which enjoys preferential tax treatment.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2017 amounted to approximately RMB19.0 million, representing an increase of approximately 75.7% as compared with the profit of approximately RMB10.8 million for the year ended 31 December 2016. The significant increase was primarily attributable to the growth in the revenue of the Group for the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations are financed mainly by a combination of cash generated from operations and bank borrowings. The Group recorded net current assets of approximately RMB31.2 million as at 31 December 2017 (2016: net current liabilities of approximately RMB0.4 million).

As at 31 December 2017, the Group's current assets amounted to approximately RMB118.4 million (2016: RMB69.8 million) of which approximately RMB12.9 million (2016: RMB10.1 million) was inventories; approximately RMB24.5 million was trade receivables (2016: RMB13.2 million); approximately RMB6.6 million was deposits, prepayments and other receivables (2016: RMB2.7 million); and approximately RMB74.4 million was bank and cash balances (2016: RMB43.5 million).

As at 31 December 2017, the Group's total borrowings amounted to approximately RMB53.8 million (2016: RMB58.1 million). The Group's borrowings included bank loans of approximately RMB44.9 million (2016: RMB44.9 million) and amount due to an owner of ultimate parent of approximately RMB8.9 million (2016: nil). The amount due to a related company of approximately RMB4.1 million, amount due to a director of approximately RMB0.5 million and amount due to owners of approximately RMB8.6 million as at 31 December 2016 were fully repaid during the year ended 31 December 2017. The amount due to an owner of ultimate parent was fully settled before Listing. The borrowings are denominated in Renminbi, Hong Kong dollars and United States dollars. The bank loans are charged at fixed interest rates and repayable on demand or within one year.

The Group's gearing ratio as at 31 December 2016 and 2017, which was calculated by dividing the total debt by the total equity as at those dates, was approximately 213.5% and 94.8% respectively. The total debt includes all bank loans, amounts due to a related company, a director, owners and an owner of ultimate parent while the total equity includes the paid-in capital and reserves of the Group. The decrease in the Group's gearing ratio as at 31 December 2017 was primarily attributable to the increase in the Group's reserves from approximately RMB26.9 million for the year ended 31 December 2016 to approximately RMB56.4 million for the year ended 31 December 2017 due to the issue of Shares and the net profit during the year.

The Group's financial position has been further enhanced by the proceeds from the Listing obtained in January 2018.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 4 January 2018. There has been no change in the capital structure of the Company since then. As at 31 December 2017, the capital structure of the Company comprised mainly of bank borrowings, issued share capital and reserves.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group has pledged (i) property, plant and equipment with carrying amount of approximately RMB19.2 million (2016: RMB19.0 million); and (ii) prepaid land lease payments with carrying amount of approximately RMB2.7 million (2016: RMB2.8 million) as security for the Group's bank loans.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2017.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material capital commitments or any significant contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's revenue and costs are primarily denominated in Renminbi. Some revenue and costs are denominated in other currencies. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a workforce of 91 (2016: 89) full-time employees. The remuneration of the Group's employees are determined depending on a number of factors, including their qualifications, function, experience, work performance and local market conditions. The Group regularly reviews its compensation and benefit policies to ensure that the remuneration package offered remains competitive and in line with relevant labour regulations. For the year ended 31 December 2017, the total employee benefit expenses of the Group (including salaries, bonuses, allowances and retirement benefit scheme contributions) was approximately RMB6.6 million (2016: RMB5.4 million). Pursuant to relevant PRC laws and regulations, the Group is required to contribute to housing provident funds and social insurance funds (including pension, medical, unemployment, maternity and workplace injury insurance) for its employees. The Company has adopted a share option scheme on 11 December 2017 to enable the Company to grant options to, amongst others, the employees and directors of the Group.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 31 December 2017. Save as disclosed in the Prospectus, the Company did not have other plans for material investments or capital assets.

USE OF PROCEEDS FROM LISTING

The proceeds from the Listing, after deducting of related issuance expenses, amounted to approximately HK$40.9 million. Since the date of the Listing and up to the date of this report, approximately HK$0.3 million has been used to enhance customer loyalty and brand awareness, approximately HK$0.1 million has been used to maintain and enhance the Group's research and development capabilities and approximately HK$3.6 million has been used as working capital.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Yuan Yuan (袁遠) ("**Ms. Yuan**"), aged 42, is the Chairlady of the Board, a chief executive officer of the Company and an executive Director. Ms. Yuan was appointed as a Director in July 2016 and was redesignated as an executive Director on 11 December 2017. She is the chairlady of the nomination committee and a member of the remuneration committee of the Company. She is responsible for the overall operation and development strategy of the Group as well as supervising internal control. Ms. Yuan currently also serves as a chairlady of the board of directors or a director of several subsidiaries of the Group.

Ms. Yuan has over 16 years of experience in manufacturing and trading industry. Ms. Yuan joined the Group as deputy general manager of Zhangzhou Kaixing in October 2013. From July 1996 to May 2000, Ms. Yuan was the accounting clerk of Xiamen Fifth Plastic Factory (廈門市第五塑料廠). From June 2000 to August 2005, she was the accountant of Xiamen Xie Feng Tai Trading Company Limited (廈門協豐泰貿易有限公司). From September 2005 to February 2007, she worked for Xiamen Longhuai Import & Export Co., Ltd (廈門龍懷進出口貿易有限公司) ("**Longhuai Import & Export**") as finance manager and was promoted as the deputy general manager in March 2007 and as the general manager and executive director from March 2011 to November 2017.

Ms. Yuan graduated from Jiangxi University of Finance and Economics in July 1996, majoring in investment and finance. Ms. Yuan obtained the Executive Master of Business Administration degree from the Shanghai University of Finance and Economics in January 2017.

Mr. Chen Yihui (陳毅輝) ("**Mr. Chen**"), aged 32, is an executive Director. Mr. Chen was appointed as a Director in July 2016 and was redesignated as an executive Director on 11 December 2017. Mr. Chen has over 10 years of experience in manufacturing and trading industry. From September 2006 to February 2008, Mr. Chen worked at Xiamen Tianan Import and Export Company Limited (廈門田岸進出口有限公司) ("**Xiamen Tianan**") as a foreign trading officer. From March 2008 to August 2010, he was promoted to be the foreign trading supervisor of Xiamen Tianan. From September 2010 to August 2013, he was appointed as deputy general manager of Xiamen Tianan. Mr. Chen joined the Group in October 2013 as the chairman and general manager of Zhangzhou Kaixing and was responsible for the overall management and strategic planning of the Group. Mr. Chen currently also serves as a director or legal representative or general manager or executive director of several subsidiaries of the Group. Mr. Chen completed his secondary school education at Longhai Chengxi Middle School (龍海市程溪中學) in August 2004.

Mr. Zheng Jiafu (鄭加福) ("Mr. Zheng"), aged 45, is an executive Director. Mr. Zheng was appointed as a Director in July 2016 and was redesignated as an executive Director on 11 December 2017. Mr. Zheng joined the Group as a sales manager of Zhangzhou Kaixing in January 2006 and is responsible for the market research and promotion for the Group's products and management of customer relationship. He also assists in developing the Group through active participation in its production and operation. In addition, Mr. Zheng has actively involved in corporate research and development work of the Group and a number of patents were successfully developed with his assistance and guidance. Mr. Zheng currently also serves as a director or executive director of several subsidiaries of the Group.

Mr. Zheng was appointed as the executive director and manager of Fujian Fufang since its establishment in November 2010 to oversee its daily business management. From October 2004 to October 2005, Mr. Zheng was the sales manager of Zhangzhou Nanfang Canned Food Machinery Company Limited (漳州市南坊罐頭食品機械有限公司). Mr. Zheng has over 11 years of management experience in the machinery manufacturing industry. Mr. Zheng completed his secondary school education at Fujian Longhai No. 2 Secondary School (福建省龍海第二中學) in July 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Xudong (胡旭東) ("Dr. Hu"), aged 58, is an independent non-executive Director. Dr. Hu was appointed as an independent non-executive Director on 11 December 2017. Dr. Hu is also a member of the audit committee of the Company. Dr. Hu is mainly engaged in the design of textile machinery and research on theories and engineering applications of integrated control of electromechanical systems. Dr. Hu received his master's degree from Zhejiang Institute of Silk Textiles (which was later renamed as Zhejiang Institute of Science and Technology and now the Zhejiang Sci-Tech University) in June 1989, majoring in silk engineering (絲綢工程), and received his doctorate in mechanical engineering from Zhejiang University in March 2004.

Dr. Hu has over 30 years of teaching experience in the areas of textile machinery design and integrated control of electromechanical systems. From September 1983 to October 1995, Dr. Hu served as the Lecturer of Zhejiang Institute of Silk Textiles (which was later re-named as Zhejiang Institute of Science and Technology and now the Zhejiang Sci-Tech University) and was promoted as an Associate Professor in November 1995 and as a Professor since November 2002. From September 2005 to October 2016, he was also the department head of Zhejiang Sci-Tech University.

Since January 2013, Dr. Hu has been an independent director of Zhejiang ZhaoFeng Mechanical and Electronics Co., Ltd (浙江兆豐機電股份有限公司), a company listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300695) of the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shum Shing Kei (沈成基) ("**Mr. Simon Shum**"), aged 46, is an independent non-executive Director. Mr. Simon Shum was appointed as an independent non-executive Director on 11 December 2017. Mr. Simon Shum is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company.

Mr. Simon Shum is currently the company secretary of Yusei Holdings Limited (stock code: 96), Jiangsu Nandasoft Technology Company Limited (stock code: 8045) and Chengdu Putian Telecommunications Cable Company Limited (stock code: 1202), companies currently listed on GEM or Main Board of the Stock Exchange. Mr. Simon Shum has been an independent non-executive director of (i) Nanjing Sample Technology Company Limited (stock code: 1708), a company listed on the Main Board of the Stock Exchange since May 2011, and (ii) Zhejiang Shibao Company Limited (stock code: 1057), a company listed on the Main Board of the Stock Exchange and the Shenzhen Stock Exchange (stock code: 002703) since June 2015. He is currently also the chief financial officer and company secretary of Asia Cassava Resources Holdings Limited (stock code: 841), a company currently listed on the Main Board of the Stock Exchange, the practicing partner of CC Alliance CPA & Co. and the company secretary of Anhui Tianda Oil Pipe Company Limited, a company delisted from the Main Board of the Stock Exchange in December 2016.

Mr. Simon Shum was the qualified accountant and company secretary of Changhong Jiahua Holdings Limited ("**Changhong Jiahua**") (formerly known as China Data Broadcasting Holdings Limited) (stock code: 8016), a company listed on GEM of the Stock Exchange, from March 2002 to July 2005 and the company secretary of Changhong Jiahua from July 2005 to December 2006. From September 2004 to September 2008, he was the qualified accountant consultant of Great Wall Motor Company Limited (stock code: 2333), a company listed on the Main Board of the Stock Exchange.

Mr. Simon Shum was awarded a Bachelor of Arts in Accountancy by the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) in November 1993. He later obtained a master degree in financial management from the University of London, the United Kingdom through long distance learning in December 1998. He was admitted as a member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in January 1997 and has become a fellow member of the Hong Kong Institute of Certified Public Accountants in May 2010.

Mr. Mu Zhirong (木志榮) ("**Dr. Mu**"), aged 46, is an independent non-executive Director. Dr. Mu was appointed as an independent non-executive Director on 11 December 2017. Dr. Mu is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company.

Dr. Mu obtained his doctorate degree in economics from Xiamen University in July 2003. Since September 2007, Dr. Mu was the Associate Professor of business management department of the School of Management of Xiamen University. From September 2008 to January 2013, he was the director of EDP center of the School of Management of Xiamen University. From January 2013 to May 2016, he was the assistant to the President of the School of Management of Xiamen University. Since November 2015, he has been the independent director of ReCulture Renewable Energy Co. Ltd, a company listed on the National Equities Exchange and Quotations Co., Ltd. (stock code: 833250) in the PRC. Since July 2016, he has been the director of Hongxin Entrepreneur Incubator Investment Group Co., Ltd (弘信創業工場投資集團股份有限公司).

SENIOR MANAGEMENT

Ms. Wang Lina (王麗娜) ("**Ms. Wang**"), aged 34, is the financial controller of the Group. Ms. Wang joined the Group in August 2012 as the financial controller of Zhangzhou Kaixing and is responsible for the assessment, management and control of corporate risks as well as the management of investments, financing and assets, in addition to improving the internal control of the Group. Ms. Wang has over ten years of experience in accounting and financial management. Ms. Wang served as an assistant accountant at Zhangzhou Longhai Minhui Industry and Trade Company Limited (漳州市龍海閩輝工貿有限公司) ("**Longhai Minhui**") from April 2006 to April 2007 and was appointed as an accountant from May 2007 to February 2010. From March 2010 to June 2012, she was promoted as the finance manager of Longhai Minhui. Ms. Wang graduated from Hainan Vocational and Technical College (海南職業技術學院) in June 2006 majoring in accounting and received a bachelor's degree in accounting from Zhangzhou Normal University in January 2013.

Mr. Zhao Jingyang (趙京陽) ("**Mr. Zhao**"), aged 37, is the sales manager of the Group. Mr. Zhao joined the Group in November 2010 as a sales manager of Fujian Fufang and is primarily responsible for the Group's sales operations. Mr. Zhao currently serves as a supervisor of several subsidiaries of the Group.

From March 2001 to August 2004, Mr. Zhao served respectively as an assembling technician and a lathe technician at Zhangzhou Weiliang Machinery Company Limited (漳州煒喨機械有限公司) ("**Weiliang Machinery**"). He was later promoted and worked as the lathe team leader from September 2004 to February 2007 and was promoted to be the production supervisor of Weiliang Machinery from March 2007 to September 2010. Mr. Zhao graduated from the School of Continuing Education (成人教育學院) of Zhangzhou Institute of Technology in April 2011, majoring in mechanical design and manufacturing.

DIRECTORS' REPORT

The Directors are pleased to present their first annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 July 2016 under the Companies Law. Pursuant to a reorganisation of the Group in preparation for the listing of the Shares on GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 9 November 2016. Details of the corporate reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 4 January 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise research and development, manufacturing and sales of circular knitting machines. Details of the principal activities of the subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" set out on pages 4 to 9 of this report. The discussion forms part of this Directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 42 to 80 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: approximately RMB3.2 million).

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 82. This summary does not form part of the audited financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2017 by operating segment is set out in note 9 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 24 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES BY THE COMPANY AND ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities, convertible securities, options, warrants or similar rights of the Company during the year ended 31 December 2017 and up to the date of this report, save for those related to change of denomination and the reorganisation, details of which are set out in the paragraph headed "Further Information About the Company and its Subsidiaries – 2. Changes in authorised and issued share capital of the Company" in Appendix V to the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in note 25(b) to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have any reserve available for distribution under the Companies Law.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group did not make any charitable or other donations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for 46.4% (2016: 42.3%) of the total sales for the year and sales to the largest customer included therein amounted to 11.4% (2016: 13.9%). Purchases from the Group's five largest suppliers accounted for 56.6% (2016: 48.1%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 20.0% (2016: 17.2%).

None of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued Shares) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

EXECUTIVE DIRECTORS

Ms. Yuan Yuan *(Chairlady and Chief Executive Officer)*	(appointed as Director on 28 July 2016 and redesignated as executive Director on 11 December 2017)
Mr. Chen Yihui	(appointed as Director on 28 July 2016 and redesignated as executive Director on 11 December 2017)
Mr. Zheng Jiafu	(appointed as Director on 28 July 2016 and redesignated as executive Director on 11 December 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Xudong	(appointed on 11 December 2017)
Mr. Shum Shing Kei	(appointed on 11 December 2017)
Dr. Mu Zhirong	(appointed on 11 December 2017)

In accordance with article 108 of the Articles, Ms. Yuan Yuan will retire by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with article 112 of the Articles, Dr. Hu Xudong, Mr. Shum Shing Kei and Dr. Mu Zhirong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by the Shareholders under article 112 of the Articles.

The Company has received, from each of the independent non-executive Directors, a written confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and as at the date of this report still considers them to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 10 to 17 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and each of the independent non-executive Directors has entered into a letter of appointment with the Company and is appointed for an initial term of one year.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment compensation, other than statutory compensation.

EMOLUMENT POLICY AND PENSION SCHEME

The remuneration of the Group's employees are determined depending on a number of factors, including their qualifications, function, experience, work performance and local market conditions. The Group regularly reviews its compensation and benefit policies to ensure that the remuneration package offered remains competitive and in line with relevant labour regulations. Pursuant to relevant PRC laws and regulations, the Group is required to contribute to housing provident funds and social insurance funds (including pension, medical, unemployment, maternity and workplace injury insurance) for its employees. The Company has adopted a share option scheme on 11 December 2017 to enable the Company to grant options to, amongst others, the employees and directors of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration committee of the Company is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group. The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments of the Directors are determined with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 14 and 13 to the consolidated financial statements, respectively.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled under the Articles to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him or her as a Director in the execution or discharge of his or her duty.

As at the date of this report, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2017.

CONTRACT OF SIGNIFICANCE

Save for the related party transactions disclosed in note 32(a) to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries, nor any contract of significance for provision of services to the Company or any of subsidiaries by a Controlling Shareholder or any of its subsidiaries during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Shares were listed on GEM of the Stock Exchange on 4 January 2018, subsequent to 31 December 2017.

As at the Listing Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in ordinary Shares

Name of Director	Capacity and nature of interest	Number of Shares held	Percentage of the Company's share capital
Mr. Chen Yihui	Interest in a controlled corporation	81,195,379 *(note 1)*	8.119%
Mr. Zheng Jiafu	Interest in a controlled corporation	41,877,649 *(note 2)*	4.188%

Notes:

(1) Sheen Vision Group Limited is wholly owned by Mr. Chen Yihui and is the beneficial owner of 81,195,379 Shares. Accordingly, Mr. Chen Yihui is deemed to be interested in 81,195,379 Shares held by Sheen Vision Group Limited by virtue of the SFO.

(2) Apex Green International Limited is wholly owned by Mr. Zheng Jiafu and is the beneficial owner of 41,877,649 Shares. Accordingly, Mr. Zheng Jiafu is deemed to be interested in 41,877,649 Shares held by Apex Green International Limited by virtue of the SFO.

Save as disclosed above, as at the Listing Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Listing Date, the following interests and short positions of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name	Capacity and nature of interest	Number of Shares held	Percentage of the Company's share capital
Azure Wealth Limited (藍裕有限公司)	Beneficial owner	369,219,084	36.922%
Ms. Zheng Yonghua (鄭勇華)	Interest in controlled corporation	369,219,084 *(note 1)*	36.922%
Mr. Ke Weibin (柯葳彬)	Interest of spouse	369,219,084 *(note 2)*	36.922%
Sheen Vision Group Limited	Beneficial owner	81,195,379	8.119%
Ms. Chen Qing (陳晴)	Interest of spouse	81,195,379 *(note 3)*	8.119%

Notes:

(1) Azure Wealth Limited is owned as to 95% by Ms. Zheng Yonghua. Accordingly, Ms. Zheng Yonghua is deemed to be interested in 369,219,084 Shares held by Azure Wealth Limited by virtue of the SFO.

(2) Mr. Ke Weibin (柯葳彬) is the spouse of Ms. Zheng Yonghua and is therefore deemed to be interested in all the Shares held/owned by Ms. Zheng Yonghua through Azure Wealth Limited by virtue of the SFO.

(3) Ms. Chen Qing (陳晴) is the spouse of Mr. Chen Yihui and is therefore deemed to be interested in all the Shares held/owned by Mr. Chen Yihui through Sheen Vision Group Limited by virtue of the SFO.

Save as disclosed above, as at the Listing Date, no person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture partners, promoters, service providers of any member of the Group. The Scheme became effective on 11 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 100,000,000 ordinary Shares, being 10% of the issued Shares of the Company as at the date of this report. The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary Shares in issue at any time. The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within five Business Days from the date of grant together with payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable and notified by the directors, but shall end not later than 10 years from the date on which the share option is deemed to be granted and accepted in accordance with the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Shares for the five Business Days immediately preceding the date of offer; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Details of the Scheme are set out in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

No share option has been granted since the adoption of the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the sections headed "Directors' and chief executive's interests in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the year ended 31 December 2017 and up to the Listing Date were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Other than the Scheme of the Company, no equity-linked agreements were entered into by the Company during the year ended 31 December 2017 or subsisted at the end of the year.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2017 are set out in note 32 to the consolidated financial statements.

The sales to a related company, as described in note 32(a) to the consolidated financial statements, were sales to Longhuai Import & Export. Longhuai Import & Export was a connected person of the Company as it was owned as to 95% by Ms. Zheng Yonghua and 5% by Ms. Yuan, the Controlling Shareholders of the Company, before they sold their entire interests in Longhuai Import & Export to an independent third party on 6 November 2017. The transactions were exempt from the connected transaction requirements under Rule 20.71 and Rule 20.74 of the GEM Listing Rules.

The remuneration to key management personnel of the Group including Directors, as described in notes 32(b) to the consolidated financial statements, are connected transactions exempt from the connected transaction requirements under Rule 20.71 and Rule 20.93 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

COMPETING INTEREST

During the year ended 31 December 2017 and up to the date of this report, none of the Directors or the Controlling Shareholders or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders, namely Azure Wealth Limited, Ms. Zheng Yonghua and Ms. Yuan Yuan, entered into a deed of non-competition dated 19 December 2017 (the "**Deed of Non-Competition**") in favour of the Company, under which each of the Controlling Shareholders, among other things, irrevocably and unconditionally, jointly and severally, warrants and undertakes to the Company (for itself and as trustee for each of its subsidiaries) on competition related matters. Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the Controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this report.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited ("**ECF**"), the Company's compliance adviser, save for (i) the participation of ECF as the sponsor in relation to the Listing, and (ii) the compliance adviser's agreement entered into between the Company and ECF dated 19 December 2017, none of ECF or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 December 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

With a vision to become a leader in circular knitting machine manufacturing industry, the Group strives to minimize the impacts to the environment and maximize the resources efficiency from its production in accordance with the requirements of the national environmental laws and regulations, governmental policies and industrial standard. Through the implementation of effective environmental control measures and practices with corresponding treatment facilities, the potential environmental impacts of the Group during production such as wastewater, dust, noise and solid wastes are properly controlled with minimal residual impacts.

During the year ended 31 December 2017, there is no non-compliance cases relating to air emission, wastewater discharge waste generation and disposal has been identified.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers and suppliers:

Employees: The employees of the Group are its key assets and their dedication contribute to the successful business operations of the Group. The Group, therefore, strives to treat all of its employees with respect and equity, and create a safe and motivating workplace for its employees to work in. To realize fully its employees' potentials and ensure job satisfaction, the Group has organized various trainings for its employees to acquire new knowledge and skills, and to further develop their careers. By organizing different staff activities, such as tours and thanksgiving dinner, the Group works to improve staff relationships and build up a sense of belonging, and to maintain a good work-life balance for its employees.

Customers: The Group maintains good relationships with its customers via regular communications and surveys. Also, the Group understands that it is vital to build a good corporate brand by gaining its customers' trust and satisfaction on its products. With stringent inspections and testing during our production processes, the Group makes sure its products are safe for use and with excellent quality. The Group also sets up corresponding complaint handling system to listen to its customers' views and suggestions in order to continually fulfill the demands and expectations of its customers, and continues to make improvements on its products quality.

Suppliers: Maintaining a reliable and sustainable supply chain is the key to the success of the Group's products. The Group strives to maintain good partnership with its suppliers, and the Group has a comprehensive supplier selection and assessment process to select suitable suppliers for the business operations of the Group. This process ensures that the suppliers can meet the Group's requirements, and deliver quality products and services. Meanwhile, inspections are carried out to make sure the supplied materials used in production are safe for its customers and without causing adverse impacts on the environment. To protect the interest of the Group, suppliers are required to sign the confidentiality agreement to ensure no confidential and sensitive information is disclosed to the unauthorized persons or third parties.

A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular those which have significant impact on the Group. The Board reviews and monitors the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

From the Listing Date and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group has complied with the requirements under the GEM Listing Rules, SFO and the Companies Law. Details of the Company's compliance with the code provisions as set out in the CG Code are provided in the Corporate Governance Report of this annual report.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 28 to 37 of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both dates inclusive) for determining eligibility to attend and vote at the forthcoming annual general meeting. All transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Monday, 7 May 2018.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 34 to the consolidated financial statements.

INDEPENDENT AUDITORS

The Company was incorporated in the Cayman Islands with limited liability on 28 July 2016 and RSM Hong Kong were appointed as the first auditors of the Company. A resolution for the reappointment of RSM Hong Kong as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Yuan Yuan
Chairlady and Executive Director

Hong Kong, 16 March 2018

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report ("**CG Report**") in the Group's annual report for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules as the basis of the Company's corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the year ended 31 December 2017. The Board is of the view that since the Listing Date and up to the date of this report (the "**Relevant Period**"), the Company has complied with all applicable code provisions as set out in the CG Code, save as disclosed in the following sub-section headed "Chairman and Chief Executive Officer" in this CG Report.

BOARD OF DIRECTORS

Board composition and responsibilities

Our Board consists of six Directors, including three executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Ms. Yuan Yuan *(Chairlady and Chief Executive Officer)* (appointed on 28 July 2016 and redesignated as executive Director on 11 December 2017)
Mr. Chen Yihui (appointed on 28 July 2016 and redesignated as executive Director on 11 December 2017)
Mr. Zheng Jiafu (appointed on 28 July 2016 and redesignated as executive Director on 11 December 2017)

Independent Non-Executive Directors

Dr. Hu Xudong (appointed on 11 December 2017)
Mr. Shum Shing Kei (appointed on 11 December 2017)
Dr. Mu Zhirong (appointed on 11 December 2017)

Details of background and qualifications of all Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

RESPONSIBILITIES OF THE BOARD

The Board oversees the overall management and administration of the business and operations of the Group. The Board is primarily responsible for overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group.

The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director(s) and other person(s) as the Board thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. Directors are also provided with access to independent professional advice in carrying out their obligations as Directors as and when required, at the expense of the Company.

Appointment and Re-election of Directors

Each executive Director has entered into a service contract with the Company for a term of three years and each independent non-executive Director has entered into a letter of appointment for a term of one year. Each Director is subject to retirement by rotation at least once every three years but is eligible for re-election at an annual general meeting in accordance with the Articles.

The Articles have specified that any Directors appointed during the year to fill a casual vacancy are subject to re-election by Shareholders at the first general meeting after such appointments and any Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Company has also taken out Directors' and officers' liabilities insurance for such purposes with effect from the Listing.

Independent Non-executive Directors

During the Relevant Period, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Continuous Professional Development of Directors

During the year ended 31 December 2017, the Directors have participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on the GEM, as well as reading related materials. They also received from the Company from time to time updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company. Particulars of participation by the Directors are set out as follows:

	Reading materials relevant to directors' roles and responsibilities	Attending training session relevant to directors' roles and responsibilities
Executive Directors		
Ms. Yuan Yuan	✓	✓
Mr. Chen Yihui	✓	✓
Mr. Zheng Jiafu	✓	✓
Independent Non-Executive Directors		
Dr. Hu Xudong	✓	✓
Mr. Shum Shing Kei	✓	✓
Dr. Mu Zhirong	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the Relevant Period, the Group has complied with the CG Code, except for the deviation from the code provision A.2.1 of the CG Code. Ms. Yuan is currently performing the roles of chairlady and chief executive officer of the Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Ms. Yuan's working experience in the manufacturing and trading industry, the Board considered that the roles of chairman and chief executive officer being performed by Ms. Yuan enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, three Board committees, namely audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are posted on the websites of the Stock Exchange and the Company.

Audit Committee

The Company established an audit committee on 11 December 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code have been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on appointment, reappointment and removal of the external auditor, review the financial reporting process and the financial controls, internal control and risk management systems of the Company.

The audit committee of the Company consists of three independent non-executive Directors, being Dr. Hu Xudong, Mr. Shum Shing Kei and Dr. Mu Zhirong. Mr. Shum Shing Kei is the chairman of the audit committee.

As the Company was listed on 4 January 2018, no audit committee meeting was held during the year ended 31 December 2017.

The Group's audited annual results for the year ended 31 December 2017, the accounting policies and practices adopted by the Group, and the Group's financial reporting and internal control matters have been reviewed by the audit committee in a meeting held on 16 March 2018.

Nomination Committee

The Company established a nomination committee on 11 December 2017. Written terms of reference in compliance with code provision A.5.2 of the CG Code have been adopted. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge, length of service and the breath of expertise) of the Board and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and make recommendations to the Board on appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive.

The nomination committee of the Company consists of three Directors, being Ms. Yuan Yuan, Mr. Shum Shing Kei and Dr. Mu Zhirong. Ms. Yuan Yuan is the chairlady of the nomination committee.

The Board recognises the importance of its diversity in relation to its business, and adopted on 11 December 2017 a Board diversity policy (the "**Diversity Policy**"). As a summary of the Diversity Policy, selection of candidates has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision of Board appointment will be based on merit and contribution that the selected candidates will bring to the Board.

As the Company was listed on 4 January 2018, no nomination committee meeting was held during the year ended 31 December 2017. The nomination committee held a meeting on 16 March 2018 to review the independence of the independent non-executive Directors; consider the qualifications of the retiring directors standing for election at the 2017 annual general meeting; review the structure, size and composition of the Board and review the Diversity Policy. In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. Having reviewed the composition of the Board, the nomination committee considered that there is an appropriate balance of Board diversity.

Remuneration Committee

The Company established a remuneration committee on 11 December 2017 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and code provision B.1.2 of the CG Code have been adopted. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the remuneration policy and the structure relating to all Directors and senior management of the Group, review the remuneration packages of the Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. No Director or any of his associates was involved in deciding his own remuneration.

The remuneration committee of the Company consists of three Directors, being Dr. Mu Zhirong, Ms. Yuan Yuan and Mr. Shum Shing Kei. Dr. Mu Zhirong is the chairman of the remuneration committee.

As the Company was listed on 4 January 2018, no remuneration committee meeting was held during the year ended 31 December 2017. The remuneration committee held a meeting on 16 March 2018 to review the remuneration of the Directors and senior management of the Group.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2017 is as follows:

	Number of employees
Not exceeding HK$500,000	2

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, namely:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board where appropriate;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual reports.

Board meetings and attendance record of Directors

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The Company was listed on 4 January 2018. Therefore, the Board did not hold regular meetings during the year ended 31 December 2017. The Board will schedule to have at least four regular meetings in 2018. Other Board meetings will be held if necessary.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

The attendance record of each Director at the Board and Board committee meetings and general meeting held during the Relevant Period is set out in the table below:

	Attendance/Number of Meeting				
Name of Director	Board meeting	Nomination Committee	Audit Committee	Remuneration Committee	General Meeting
Ms. Yuan Yuan	1/1	1/1	N/A	1/1	N/A
Mr. Chen Yihui	1/1	N/A	N/A	N/A	N/A
Mr. Zheng Jiafu	1/1	N/A	N/A	N/A	N/A
Dr. Hu Xudong	1/1	N/A	1/1	N/A	N/A
Mr. Shum Shing Kei	1/1	1/1	1/1	1/1	N/A
Dr. Mu Zhirong	1/1	1/1	1/1	1/1	N/A

COMPANY SECRETARY

Ms. Chan So Fong ("**Ms. Chan**"), the Company's company secretary, has undertaken no less than 15 hours of relevant professional training to update her skills and knowledge in respect of the year ended 31 December 2017. Ms. Chan does not act as an individual employee of the Company, but as an external service provider in respect of her appointment as the company secretary of the Company. Pursuant to paragraph F.1.1. of the CG Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. The Company has assigned Ms. Yuan, the executive Director, as the contact person with Ms. Chan. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Ms. Chan through the contact person assigned.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Model Code was not applicable to the Company before the Listing Date. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Relevant Period.

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Model Code by the Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2017 under applicable statutory and regulatory requirements, which give a true and fair view of the state of affairs, profit or loss and cash flow of the Group on a going concern basis.

Statements of Directors' responsibilities for preparing of the consolidated financial statements of the Group and external auditors' responsibilities for the audit of the consolidated financial statements are set out in the "Independent Auditor's Report" in this report.

AUDITORS' REMUNERATION

The fees paid or payable to the external auditors of the Group, RSM Hong Kong, for the year ended 31 December 2017 are as follows:

Services rendered	Fees paid/ payable (RMB)
Audit services	
– Statutory audit services	580,000
Non-audit services	
– acting as reporting accountant for the Listing	1,275,000
	1,855,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal control system has a key role in the identification and management of risks that are significant to the achievement of its business objectives. The Group has adopted risk management policies and procedures that the Directors believe are appropriate for its business operations in order to identify different types of risk; assess such identified risks; formulate risk management strategies; monitor and manage such identified risks; and execute response to risks.

The identification and assessment of the risks involve a five-stage procedure which includes establishing the concept of risk management in the Group and assessing the Group's risk profile on various types of risks, determining the Group's goals on risk management, identifying and analyzing the risks, and designing the counter-measure on risks.

The Group's effective internal control measures include the establishments of:

(1) a delegation system setting out the job responsibilities, scopes, requirements and limits of delegated parties;

(2) a reporting system setting out the reporting mechanism;

(3) an authorisation system setting out the approval process, conditions, limits, necessary documents, and the authorised departments and personnel with their responsibilities;

(4) an accountability system, setting out the authorities, obligations and responsibilities of each relevant departments, units and personnel with a clear reward and punishment system;

(5) an internal audit system, integrating all internal control requirements, methods, standards and flow, setting out the audit target, content, methodology and the relevant departments responsible for the audit works;

(6) an evaluation and appraisal system, linking the wages and performance evaluation of different subsidiaries of the Group with their risk management performance;

(7) a warning system of material risks and contingency response mechanism, clearly setting out the responsible personnel and process to ensure all contingencies can be handled promptly;

(8) a mechanism to seek external legal advice to prevent legal risks. Such mechanism is led by the management with the support from the Group's legal counsel and involvement of all employees; and

(9) a control mechanism on the checks and balances of various positions, setting out that various segregation of duties and authorities, including approval authority, business development, accounting, treasury, asset management and auditing functions.

The Board is responsible for the Group's risk management and internal control systems and for overseeing and reviewing the effectiveness of the Group's risk management and internal control systems. The Board, with the assistance of the audit committee, will review the effectiveness and adequacy of the risk management and internal control systems of the Group at least annually.

For the purpose of the Listing, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") to undertake a review on, among others, the internal control system on entity-level controls, revenue and receipts, procurement and payments, inventory management, fixed assets management, human resources and payroll management, capital management, taxation management, information technology general controls, management of intellectual property rights and compliance procedures of certain rules and regulations.

As the Company was listed on 4 January 2018, the Board did not conduct an internal review of the Company's risk management and internal control systems during the year ended 31 December 2017. During the Relevant Period, the Company's audit committee reviewed the internal control review report issued by the Internal Control Adviser and the Company's risk management and internal control system in respect of the year ended 31 December 2017 and considered that they are effective and adequate. The Board assessed the effectiveness and internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same view.

In addition, the Group has established an internal audit department to assist the Board in overseeing internal audit function of the Group. The internal audit department carries out ongoing monitoring of the risk management and internal control systems of the Group. Material deficiencies in the design and implementation of risk management and internal controls may be identified for improvement.

Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the GEM Listing Rules. The Group adopts and implements an information disclosure policy and procedures in order to protect inside information from unauthorised and inaccurate disclosure.

The Group has strictly prohibited unauthorised use of confidential or inside information. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Chairlady of the Board and the chief financial officer to decide on the need for disclosure. The audit committee of the Board regularly review and asses the effectiveness of the information disclosure policy and procedures and propose recommendations to the Board.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and rules and regulations of the Stock Exchange, an annual general meeting of the Company is held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("**EGM**").

Right to Convene EGMs and Procedures

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office or the head office of the Company.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 2406, 24/F, Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong (For the attention of the Board)
Fax:	+86 (0) 596-6841969
Email:	info@kx-machine.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.kx-machine.com as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands. Subject to provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the Listing of the Company took place on 4 January 2018, no amendments were made to the constitutional documents of the Company during the year ended 31 December 2017.

INDEPENDENT AUDITOR'S REPORT

RSM

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TO THE SHAREHOLDERS OF CHINA FUTEX HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Futex Holdings Limited ("the Company") and its subsidiaries (the "Group") set out on pages 42 to 80, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of provision for trade receivables *Refer to the accounting policies in note 4(t) and the key estimates in note 5(b) to the consolidated financial statements* The Group has trade receivables with aggregate values of RMB24,532,000 as at 31 December 2017. The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers and generally range from 30 to 365 days. As at 31 December 2016, the trade receivables amounted to RMB13,176,000. The amount significantly increased during 2017 heightening the risk that the carrying value of trade receivables may be impaired. Management concluded that there is no impairment in respect of the trade receivables. This conclusion required significant management judgement in assessing the recoverability of trade receivables.	Our procedures in relation to management's impairment assessment included: – Obtaining confirmations from debtors on a sample basis to verify the accuracy of the debtor balances; – Re-computing the accuracy of the ageing analysis on a sample basis; – Reviewing the settlement by significant debtors after the year end date; – Discussing with management the credit status of those debtors with aged balances including any collection actions planned and loss provision made; and – Assessing the adequacy of the credit risk disclosures in relation to trade receivables.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the Company's 2017 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the Other Information, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RSM

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibility for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
Hong Kong
16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	7	**131,627**	94,302
Cost of goods sold		**(83,860)**	(60,882)
Gross profit		**47,767**	33,420
Other income	8	**836**	813
Selling expenses		**(2,468)**	(2,111)
Administrative expenses		**(19,238)**	(15,177)
Profit from operations		**26,897**	16,945
Finance costs	10	**(2,351)**	(2,287)
Profit before tax		**24,546**	14,658
Income tax expense	11	**(5,571)**	(3,861)
Profit for the year attributable to owners of the Company	12	**18,975**	10,797
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year attributable to owners of the Company		**18,975**	10,797
Earnings per share			
– Basic (RMB cents)	16	**2.73**	1.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**22,851**	24,761
Prepaid land lease payments	18	**2,738**	2,809
Total non-current assets		**25,589**	27,570
Current assets			
Inventories	20	**12,890**	10,079
Trade receivables	21	**24,532**	13,176
Deposits, prepayments and other receivables	22	**6,636**	2,718
Due from owners	30	**–**	338
Bank and cash balances	23	**74,380**	43,480
Total current assets		**118,438**	69,791
TOTAL ASSETS		**144,027**	97,361
EQUITY			
Paid-in capital	24	**360**	338
Reserves	26	**56,419**	26,856
Total equity		**56,779**	27,194
LIABILITIES			
Current liabilities			
Trade payables	27	**21,149**	7,529
Deposits received, accruals and other payables	28	**10,799**	4,086
Bank loans	29	**44,900**	44,900
Due to a related company	30	**–**	4,130
Due to a director	30	**–**	460
Due to owners	30	**–**	8,572
Due to an owner of ultimate parent	30	**8,909**	–
Current tax liabilities		**1,491**	490
Total current liabilities		**87,248**	70,167
TOTAL EQUITY AND LIABILITIES		**144,027**	97,361
NET ASSETS		**56,779**	27,194

Approved by the Board of Directors on 16 March 2018 and are signed on its behalf by:

Yuan Yuan	**Zheng Jiafu**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2017

	Paid-in capital RMB'000	Share premium RMB'000 (note 26 (b)(i))	Capital reserve RMB'000 (note 26 (b)(ii))	Statutory surplus reserve RMB'000 (note 26 (b)(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2016	7,340	–	1,830	1,737	15,660	26,567
Total comprehensive income for the year	–	–	–	–	10,797	10,797
Issue of ordinary shares (note 24)	338	–	–	–	–	338
Purchase of equity capital of 漳州凱星機械有限公司 (Zhangzhou Kaixing Machinery Limited) ("Zhangzhou Kaixing") pursuant to group reorganisation (note 24)	(7,340)	–	–	–	–	(7,340)
Dividend approved and paid in respect of previous year (note 15)	–	–	–	–	(3,168)	(3,168)
Transfer to statutory surplus reserve	–	–	–	2,088	(2,088)	–
Changes in equity for the year	(7,002)	–	–	2,088	5,541	627
At 31 December 2016	338	–	1,830	3,825	21,201	27,194
At 1 January 2017	338	–	1,830	3,825	21,201	27,194
Total comprehensive income for the year	–	–	–	–	18,975	18,975
Issue of ordinary shares (note 24)	22	10,588	–	–	–	10,610
Transfer to statutory surplus reserve	–	–	–	2,345	(2,345)	–
Changes in equity for the year	22	10,588	–	2,345	16,630	29,585
At 31 December 2017	360	10,588	1,830	6,170	37,831	56,779

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		24,546	14,658
Adjustments for:			
Finance costs	10	2,351	2,287
Interest income	8	(180)	(101)
Depreciation	12	2,141	2,065
Amortisation of prepaid land lease payments	12	71	71
Property, plant and equipment written off	12	–	1
Operating profit before working capital changes		28,929	18,981
(Increase)/decrease in inventories		(2,811)	15
(Increase)/decrease in trade receivables		(11,356)	5,505
Increase in deposits, prepayments and other receivables		(3,918)	(2,169)
Increase/(decrease) in trade payables		13,620	(14,099)
Increase in deposits received, accruals and other payables		6,713	2,045
Cash generated from operations		31,177	10,278
Income tax paid		(4,570)	(4,019)
Interest paid		(2,351)	(2,287)
Net cash generated from operating activities		24,256	3,972
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	17	(231)	(2,095)
Interest received		180	101
Net cash used in investing activities		(51)	(1,994)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to a related company		(4,130)	(1,389)
Decrease in due to a director		(460)	–
(Decrease)/increase in due to owners		(8,572)	6,732
Increase in due to an owner of ultimate parent		8,909	–
Bank loans raised		44,900	44,900
Repayment of bank loans		(44,900)	(35,000)
Dividend paid to the then owners of Zhangzhou Kaixing		–	(3,168)
Purchase of equity capital of Zhangzhou Kaixing pursuant to group reorganisation		–	(910)
Issue of ordinary shares		10,948	–
Net cash generated from financing activities		6,695	11,165
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,900	13,143
CASH AND CASH EQUIVALENTS AT 1 JANUARY		43,480	30,337
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		74,380	43,480
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	23	74,380	43,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Xiawei Village, Fugong Town, Longhai City, Fujian Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 19 to the consolidated financial statements.

In the opinion of the directors of the Company, Azure Wealth Limited, a company incorporated in the Republic of Seychelles, is the immediate and ultimate parent.

2. BASIS OF PREPARATION

Pursuant to the group reorganisation as fully explained in the section headed "The Reorganisation" in "History, Reorganisation and Group Structure" section of the prospectus dated 20 December 2017 issued by the Company (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 9 November 2016. As the Group Reorganisation involved only the insertion of new holding companies at the top of the existing group and did not result in any change in economic substance, the consolidated financial statements have been prepared as a continuation of the existing group using the principles of merger accounting.

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised IFRSs is relevant to the Group:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided this information in note 33.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Impairment

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group was to adopt the new impairment requirements at 31 December 2017, there will be no significant impact on impairment losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the sales of manufactured goods and trading of raw materials is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sales of manufactured goods and trading of raw materials is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

(b) Warranty obligations

The Group generally provides for warranties for repairs to its circular knitting machines and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group has no lease arrangements as lessee. The directors expect that IFRS 16 will have no material effects on the Group's accounting for its lease arrangements as lessor.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will be better to predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment and others	5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

Operating leases – as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For the Year Ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2017 was RMB22,851,000 (2016: RMB24,761,000).

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2017, accumulated impairment loss for bad and doubtful debts amounted to Nil (2016: Nil).

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

No allowance for slow-moving inventories was made for the years ended 31 December 2017 and 2016.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, but the Group has certain exposure to foreign currency risk as it has commenced its direct sales to overseas market, which are denominated in United States dollars ("US$"). The Group has foreign currency exposure in respect of such direct overseas sales. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2017, if the RMB had weakened 5 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been RMB160,000 (2016: Nil) higher, arising mainly as a result of the foreign exchange loss on trade receivables and bank balances denominated in US$. If the RMB had strengthened 5 per cent against US$ with all other variables held constant, consolidated profit after tax for the year would have been RMB160,000 (2016: Nil) lower, arising mainly as a result of the foreign exchange gain on trade receivables and bank deposits denominated in US$.

(b) Credit risk

As the majority of the cash and bank balances are placed with banks with high credit ratings, the Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies to ensure that credit is granted to customers with appropriate credit history. The Group's finance department is responsible for the determination of credit limit, credit approval and other monitoring procedures in order to minimise the Group's exposure to credit risk. In addition, the Group's finance department from time to time reviews the recoverable amount of each individual trade debtors to ensure that adequate impairment losses are recognised for irrecoverable debts. Accordingly, the Directors are of the view that the Group's credit risk is significantly reduced.

For the Year Ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Trade payables	**21,149**	**–**	**–**	**–**	**21,149**
Accruals and other payables	**7,883**	**–**	**–**	**–**	**7,883**
Bank loans	**45,423**	**–**	**–**	**–**	**45,423**
Due to an owner of ultimate parent	**8,909**	**–**	**–**	**–**	**8,909**
At 31 December 2016					
Trade payables	7,529	–	–	–	7,529
Accruals and other payables	3,192	–	–	–	3,192
Bank loans	45,605	–	–	–	45,605
Due to a related company	4,130	–	–	–	4,130
Due to a director	460	–	–	–	460
Due to owners	8,572	–	–	–	8,572

(d) Interest rate risk

The Group's bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2017, if interest rates had been 50 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been RMB280,000 (2016: RMB163,000) lower/higher, arising mainly as a result of lower/higher interest income on bank deposits.

(e) Categories of financial instruments at 31 December

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**100,658**	57,052
Financial liabilities:		
Financial liabilities measured at amortised cost	**82,841**	68,783

For the Year Ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of circular knitting machines	130,800	87,985
Sales of parts and consumables of circular knitting machines	827	6,317
	131,627	94,302

8. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Rental income	515	521
Scrap sales	141	191
Interest income on bank deposits	180	101
	836	813

9. SEGMENT INFORMATION

The Group has three operating segments as follows:

Single circular knitting machine	–	manufacture and sales of single circular knitting machines
Double circular knitting machine	–	manufacture and sales of double circular knitting machines
Others	–	manufacture and sales of parts of circular knitting machines and sales of consumables

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include corporate income and expenses. Segment assets do not include property, plant and equipment, prepaid land lease payments, deposits, prepayments and other receivables, due from owners of the Company and bank and cash balances.

9. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss and assets:

	Single circular knitting machine RMB'000	Double circular knitting machine RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2017				
Revenue from external customers	**36,426**	**94,374**	**827**	**131,627**
Segment profits	**12,737**	**34,928**	**102**	**47,767**
As at 31 December 2017				
Segment assets	**7,849**	**19,936**	**2,636**	**30,421**
Year ended 31 December 2016				
Revenue from external customers	32,208	55,777	6,317	94,302
Segment profits	11,692	20,548	1,180	33,420
As at 31 December 2016				
Segment assets	5,771	11,528	2,581	19,880

Reconciliations of segment revenue and profit or loss:

	2017 RMB'000	2016 RMB'000
Revenue		
Total revenue of reportable segments and consolidated revenue	**131,627**	94,302
Profit or loss		
Total profit or loss of reportable segments	**47,767**	33,420
Research and development expenditure	**(6,233)**	(4,999)
Interest expenses	**(2,351)**	(2,287)
Listing expenses	**(7,241)**	(6,205)
Depreciation	**(2,141)**	(2,065)
Other profit or loss	**(5,255)**	(3,206)
Consolidated profit before tax	**24,546**	14,658

9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of segment assets:

	2017 RMB'000	2016 RMB'000
Assets		
Total assets of reportable segments	30,421	19,880
Property, plant and equipment	22,851	24,761
Prepaid land lease payments	2,738	2,809
Bank and cash balances	74,380	43,480
Other assets	13,637	6,431
Consolidated total assets	144,027	97,361

Geographical information:

The Group's revenue from external customers by location of operations (included through the trading companies) are detailed below:

	2017 RMB'000	2016 RMB'000
PRC	59,271	57,814
South Korea	25,570	1,544
India	25,524	17,328
Bangladesh	19,601	11,807
Turkey	1,378	1,240
Egypt	271	–
Thailand	12	3,309
Vietnam	–	1,260
Consolidated total	131,627	94,302

All the Group's non-current assets are located in the PRC.

9. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2017 RMB'000	2016 RMB'000
Single circular knitting machine		
Customer A	**1,026**	5,103
Customer B	**7,428**	1,942
Customer C	**5,976**	408
Customer D	**7,919**	2,664
Double circular knitting machine		
Customer A	**–**	7,987
Customer B	**7,457**	7,397
Customer C	**7,826**	664
Customer D	**5,739**	1,949
Others		
Customer A	**–**	46
Customer B	**82**	–

10. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings	**2,351**	2,287

11. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2017 RMB'000	2016 RMB'000
Current tax – PRC		
Provision for the year	**5,795**	3,958
Over-provision in prior years	**(224)**	(97)
	5,571	3,861

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2016: Nil).

11. INCOME TAX EXPENSE (CONTINUED)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Under the Law of Enterprise Income Tax of the PRC (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

A wholly owned subsidiary of the Company was granted the status of a "High and New Technology Enterprise" that entitled to a preferential enterprise income tax rate of 15% for three years commencing from the year ended 31 December 2012 and further extended for three more years commencing from the year ended 31 December 2015.

Pursuant to the EIT Law, the subsidiaries incorporated in the PRC is required to withhold 10% PRC enterprise income tax when it distributes dividends to its non-PRC resident enterprise shareholders.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB2,563,000 (2016: RMB1,417,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing reversal of the temporary differences and it is probable that such differences will not reverse in foreseeable future.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**24,546**	14,658
Taxation at the applicable PRC Enterprise Income Tax rate of 25%	**6,137**	3,665
Tax effect of expenses not deductible	**2,067**	1,367
Tax effect of others	**422**	296
Tax effect of tax concession	**(2,073)**	(764)
Over provision in prior years	**(224)**	(97)
Tax effect of super deduction of qualified research and development expenditure	**(758)**	(606)
Income tax expense	**5,571**	3,861

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2017 RMB'000	2016 RMB'000
Amortisation of prepaid land lease payments	71	71
Depreciation	2,141	2,065
Research and development expenditure	6,233	4,999
Auditor's remuneration	580	–
Listing expenses	7,241	6,205
Cost of inventories sold	83,860	60,882
Net exchange loss/(gain)	347	(34)
Property, plant and equipment written off	–	1

Cost of inventories sold includes staff costs, amortisation and depreciation of approximately RMB4,050,000 for the year ended 31 December 2017 (2016: RMB3,696,000), which are included in the amounts disclosed separately.

13. EMPLOYEE BENEFITS EXPENSE

	2017 RMB'000	2016 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	5,829	4,671
Retirement benefit scheme contributions	817	729
	6,646	5,400

The five highest paid individuals in the Group during the year included three directors (2016: three directors) whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two individuals are set out below:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	250	217
Discretionary bonus	20	19
Retirement benefit scheme contributions	45	11
	315	247

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	5	5

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees RMB'000	**Salaries and allowances** RMB'000	**Discretionary bonus** RMB'000	**Employer's contribution to a retirement benefit scheme** RMB'000	**Total** RMB'000
Executive Directors					
Mr. Chen Yihui (note (a))		**213**	**15**	**31**	**259**
Mr. Zheng Jiafu (note (a))		**211**	**15**	**31**	**257**
Ms. Yuan Yuan (note (b))		**209**	**15**	**31**	**255**
Independent Non-executive Directors					
Dr. Hu Xudong (note (c))	**–**	**–**	**–**	**–**	**–**
Mr. Shum Shing Kei (note (c))	**–**	**–**	**–**	**–**	**–**
Dr. Mu Zhirong (note (c))	**–**	**–**	**–**	**–**	**–**
Total for 2017	**–**	**633**	**45**	**93**	**771**
Executive Directors					
Mr. Chen Yihui (note (a))	–	189	15	8	212
Mr. Zheng Jiafu (note (a))	–	187	15	8	210
Ms. Yuan Yuan (note (b))	–	157	15	8	180
Total for 2016	–	533	45	24	602

Notes:

(a) Mr. Chen Yihui and Mr. Zheng Jiafu was appointed as directors of the Company on 28 July 2016 and redesignated as executive Directors of the Company on 11 December 2017.

(b) Ms. Yuan Yuan was appointed as a director of the Company on 28 July 2016, redesignated as an executive Director, appointed as the chairlady and the chief executive officer of the Company on 11 December 2017.

(c) Dr. Hu Xudong, Mr. Shum Shing Kei and Dr. Mu Zhirong were appointed as independent non-executive Directors of the Company on 11 December 2017.

During the years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years.

For the Year Ended 31 December 2017

14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDENDS

	2017 **RMB'000**	2016 RMB'000
Dividend declared and paid/payable to its then shareholders during the year by:		
Zhangzhou Kaixing	**–**	3,168

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2017 **RMB'000**	2016 RMB'000
Earnings		
Profit attributable to owners of the Company	**18,975**	10,797
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**696,176,612**	656,389,482

For the Year Ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2016	30,552	6,385	328	363	–	37,628
Additions	–	78	–	102	1,915	2,095
Written off	–	–	–	(1)	–	(1)
Transfer	1,915	–	–	–	(1,915)	–
At 31 December 2016 and 1 January 2017	32,467	6,463	328	464	–	39,722
Additions	–	21	2	–	208	231
Transfer	208	–	–	–	(208)	–
At 31 December 2017	32,675	6,484	330	464	–	39,953
Accumulated depreciation						
At 1 January 2016	10,134	2,430	172	160	–	12,896
Charge for the year	1,375	570	52	68	–	2,065
At 31 December 2016 and 1 January 2017	11,509	3,000	224	228	–	14,961
Charge for the year	1,470	477	45	149	–	2,141
At 31 December 2017	12,979	3,477	269	377	–	17,102
Carrying amount						
At 31 December 2017	19,696	3,007	61	87	–	22,851
At 31 December 2016	20,958	3,463	104	236	–	24,761

As at 31 December 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to RMB19,176,000 (2016: RMB19,043,000).

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent payments for land use rights in the PRC under medium term leases as follow:

	2017 RMB'000	2016 RMB'000
At 1 January	2,809	2,880
Amortisation of prepaid land lease payments	(71)	(71)
At 31 December	2,738	2,809

As at 31 December 2017, the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans amounted to RMB2,738,000 (2016: RMB2,809,000).

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ establishment	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Ace Progress Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Futex Machinery Limited ("Futex Machinery")	Hong Kong	HK$10,000	–	100%	Investment holding
Zhangzhou Kaixing	The PRC	Registered capital of RMB7,340,000	–	100%	Investment holding and manufacturing and trading of circular knitting machines
福建福紡精密機械有限公司 (Fujian Futex Machinery Co., Ltd)	The PRC	Registered capital of RMB5,000,000	–	100%	Manufacturing and trading of circular knitting machines
漳州福凱貿易有限公司 (Zhangzhou Fukai Trading Co., Ltd)	The PRC	Registered capital of RMB5,000,000	–	100%	Trading of circular knitting machines

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB73,489,000 (2016: RMB43,480,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**7,001**	3,374
Work in progress	**2,552**	2,314
Finished goods	**3,337**	4,391
	12,890	10,079

21. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**24,532**	13,176

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers and generally range from 30 to 365 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

Included in the trade receivables there were amount due from 廈門龍懷進出口貿易有限公司 (Xiamen Longhuai Import & Export Co., Ltd) ("Longhuai Import & Export"), the then immediate parent of Zhangzhou Kaixing, of approximately Nil as at 31 December 2017 (2016: RMB3,350,000).

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2017 RMB'000	2016 RMB'000
0 to 90 days	**14,290**	4,854
91 to 180 days	**3,115**	2,477
181 to 365 days	**7,127**	5,845
	24,532	13,176

As of 31 December 2016 and 2017, no trade receivables were past due nor impaired.

21. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	**20,767**	13,176
US$	**3,765**	–
	24,532	13,176

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Sundry deposits	**3**	3
Prepayments	**5,763**	2,660
Other receivables	**870**	55
	6,636	2,718

23. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	**73,489**	43,480
US$	**491**	–
Hong Kong dollars	**400**	–
	74,380	43,480

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

For the Year Ended 31 December 2017

24. PAID-IN CAPITAL

	Number of shares issued	Authorised US$'000	Authorised HK$'000	Issued and fully paid RMB'000
Equity capital of Zhangzhou Kaixing				
Balance at 1 January 2016				7,340
Purchase of equity capital (note (b))				(7,340)
Share capital of the Company				
Ordinary shares of US$1 each				
– upon incorporation on 28 July 2016 (note (a))	–	100	–	–
– issue of 50,000 shares at US$1 paid (note (a))	50,000	–	–	338
Balance at 31 December 2016 and 1 January 2017	50,000	100	–	338
Share capital of the Company				
Ordinary shares of US$1 each				
– issue of 3,322 shares (note (c))	3,322	–	–	22
– repurchase of shares (note (d))	(53,322)	–	–	–
– cancellation of authorised capital (note (e))	–	(100)	–	–
Ordinary shares of HK$0.01 each				
– increase of authorised share capital (note (d))	–	–	200,000	–
– allotment of the shares as consideration for repurchase of the shares of US$1 each from each of the shareholders (note (d))	41,591,160	–	–	–
Balance at 31 December 2017	41,591,160	–	200,000	360

24. PAID-IN CAPITAL (CONTINUED)

Notes:

(a) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 28 July 2016 with an authorised share capital of US$100,000 divided into 100,000 shares of US$1.00 each. On the same day, the initial subscribing shareholder transferred one issued share to Azure Wealth Limited ("Azure Wealth") at par and allotted credited as fully paid at par and the Company further allotted 49,999 shares of US$1.00 each at par credited as fully paid to the then shareholders who directly/indirectly held an interest in Zhangzhou Kaixing.

(b) Futex Machinery entered into sales and purchase agreements for acquisition of entire equity capital of Zhangzhou Kaixing in November 2016 with total consideration of RMB7,340,000.

(c) On 2 February 2017, the Company issued 3,322 shares of US$1.00 each to PAM Global Opportunities Fund pursuant to a share subscription agreement dated 27 January 2017 at a consideration of HK$12,000,000.

(d) On 7 March 2017, the authorised share capital of the Company increased to the aggregate of US$100,000 and HK$200,000,000 by the creation of an additional 20,000,000,000 shares with a par value of HK$0.01 each.

On the same date, the Company allotted 41,591,160 shares of HK$0.01 each to the shareholders of the Company as fully paid shares in consideration of the repurchase of 53,322 shares of US$1 each in issue from each of the shareholders by the Company.

(e) On 7 March 2017 the authorised but unissued share capital of the Company was then diminished by the cancellation of 100,000 shares of US$1 each and as a result the authorised share capital of the Company became HK$200,000,000 divided into 20,000,000,000 shares of HK$0.01 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank loans, due to a related company, due to a director, due to owners and due to an owner of ultimate parent. Adjusted capital comprises all components of equity (i.e. paid-in capital, share premium, retained profits and other reserves).

The debt-to-adjusted capital ratios as at 31 December 2017 and 31 December 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total debt	**53,809**	58,062
Less: cash and cash equivalents	**(74,380)**	(43,480)
Net debt	**(20,571)**	14,582
Total equity	**56,779**	27,194
Debt-to-adjusted capital ratio	**N/A**	54%

The decrease in the debt-to-adjusted capital ratio during 2017 resulted primarily from the issue of shares of the Company and profit generated for the year.

For the Year Ended 31 December 2017

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		338	338
Current assets			
Prepayments		5,396	2,292
Due from owners		–	338
Bank balances		8	–
		5,404	2,630
Current liabilities			
Accruals and other payables		5,662	1,821
Due to owners		–	5,855
Due to an owner of ultimate parent		213	–
Due to subsidiaries		2,242	354
		8,117	8,030
Net current liabilities		(2,713)	(5,400)
NET LIABILITIES		(2,375)	(5,062)
Capital and reserves			
Share capital	24	360	338
Reserves	25(b)	(2,735)	(5,400)
CAPITAL DEFICIENCIES		(2,375)	(5,062)

Approved by the Board of Directors on 16 March 2018 and signed on its behalf by:

Yuan Yuan
Director

Zheng Jiafu
Director

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Total comprehensive income for the period	–	(5,400)	(5,400)
At 31 December 2016 and 1 January 2017	–	(5,400)	(5,400)
Issue of ordinary shares (note 24)	10,588	–	10,588
Total comprehensive income for the year	–	(7,923)	(7,923)
At 31 December 2017	10,588	(13,323)	(2,735)

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

Capital reserve comprises difference between the total amount of registered capital and the amount of the contributions from the owners of a subsidiary.

(iii) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

For the Year Ended 31 December 2017

27. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	21,149	7,529

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2017 RMB'000	2016 RMB'000
0–90 days	21,149	7,529

The carrying amount of the Group's trade payables is denominated in RMB.

28. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Deposits received in advance	2,916	894
Accruals	6,393	2,711
Other payables	1,490	481
	10,799	4,086

29. BANK LOANS

	2017 RMB'000	2016 RMB'000
Bank loans repayable on demand or within one year	44,900	44,900

The carrying amount of the Group's bank loans is denominated in RMB.

The average effective interest rates at 31 December were as follows:

	2017	2016
Bank loans	4.91%	5.73%

Bank loans as at 31 December 2016 and 2017 are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

Bank loans as at 31 December 2016 and 2017 were secured by pledge of the Group's property, plant and equipment, prepaid land lease payments, personal guarantees provided by the directors, an owner of the ultimate parent and corporate guarantee provided by a related company, Longhuai Import & Export.

30. DUE FROM/(TO) A RELATED COMPANY/OWNERS/A DIRECTOR/AN OWNER OF ULTIMATE PARENT

As at 31 December 2017, amount due to an owner of ultimate parent is non-trade in nature, unsecured, interest-free and has no fixed repayment terms. Amount due to an owner of ultimate parent represented the advancement from an owner of ultimate parent.

As at 31 December 2016, amount due to a related company represented the consideration for purchase of equity capital of Zhangzhou Kaixing by Futex Machinery pursuant to Group Reorganisation respectively which was unsecured, interest-free and had no fixed repayment terms.

As at 31 December 2016, amounts due from/(to) owners were unsecured, interest-free and had no fixed repayment terms. Amounts due from owners represented the share capital due from owners of the Company. Amounts due to owners represented the advancements from the owners and consideration for purchase of equity capital of Zhangzhou Kaixing by Futex Machinery pursuant to Group Reorganisation respectively.

As at 31 December 2016, amount due to a director was unsecured, interest-free and had no fixed repayment terms. Amount due to a director represented the consideration for purchase of equity capital of Zhangzhou Kaixing by Futex Machinery pursuant to Group Reorganisation.

31. LEASE COMMITMENTS

The total future minimum lease payment under non-cancellable operating lease are receivables as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**515**	515

32. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2017 **RMB'000**	2016 RMB'000
Sales to a related company	**1,026**	13,136

(b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's directors as disclosed in note 14 and certain of the highest paid employees as disclosed in note 13 is as follows:

	2017 **RMB'000**	2016 RMB'000
Short term employee benefits	**802**	872
Retirement benefit scheme contributions	**125**	40
	927	912

33. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	Due to a related company RMB'000	Due to a director RMB'000	Due to owners RMB'000	Due to an owner of ultimate parent RMB'000	Bank loans RMB'000
At 1 January 2016	1,389	–	–	–	35,000
Cash flows	(1,389)	–	6,732	–	9,900
Consideration for purchase of equity capital of Zhangzhou Kaixing pursuant to Group Reorganisation	4,130	460	1,840	–	–
At 31 December 2016 and 1 January 2017	4,130	460	8,572	–	44,900
Cash flows	(4,130)	(460)	(8,572)	8,909	–
At 31 December 2017	–	–	–	8,909	44,900

34. EVENTS AFTER THE REPORTING PERIOD

Pursuant to written resolutions of the shareholders of the Company passed on 11 December 2017, the Company allotted and issued 300,000,000 new ordinary shares of HK$0.01 each of the Company at HK$0.22 each for a total cash consideration, before expenses, of HK$66,000,000 and fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company on 3 January 2018. At the same date, an amount of HK$6,584,088 standing to the credit of the share premium account of the Company was capitalised by applying such sum forwards paying up in full at par a total of 658,408,840 shares for allotment and issue to the then existing shareholders before the completion of the share offering in accordance with the above-mentioned written resolution.

On 4 January 2018, the Company's shares were listed on GEM of the Stock Exchange.

PARTICULARS OF PROPERTY

Particulars of property held for investment by the Group as at 31 December 2017 are as follows:

Location	Approximate site area and gross floor area	Existing use of the investment property	Term of lease
An industrial complex located in Tiantou-Xiawei Industrial Park, Xiawei Village, Fugong Town, Longhai City, Zhangzhou City, Fujian Province, The PRC	The property comprises 2 parcels of land with a total site area of approximately 30,462 sq.m., 7 buildings and various ancillary structures erected thereon. The buildings have a total gross floor area of approximately 20,333.53 sq.m. Approximately 9,004.50 sq.m. of the buildings was held as investment by the Group and was rented to an independent third party	Factories	Long-term lease of 10 years commencing from 3 December 2010

FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below:

	Year ended 31 December		
	2017 **RMB'000**	2016 RMB'000	2015 RMB'000
RESULTS			
Revenue	**131,627**	94,302	73,162
Profit before tax	**24,546**	14,658	14,357
Income tax expense	**(5,571)**	(3,861)	(3,020)
Profit for the year attributable to owners of the Company	**18,975**	10,797	11,337
ASSETS AND LIABILITIES			
Non-current assets	**25,589**	27,570	27,612
Current assets	**118,438**	69,791	59,661
Current liabilities	**(87,248)**	(70,167)	(60,706)
Net assets	**56,779**	27,194	26,567
Equity attributable to owners of the Company:			
Paid-in capital	**360**	338	7,340
Reserves	**56,419**	26,856	19,227
Total equity	**56,779**	27,194	26,567

Note: The financial information for the years ended 31 December 2015 and 2016 were extracted from the Prospectus. Such financial information was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2 to the consolidated financial statements of the Group.

No consolidated financial statements of the Group for the years ended 31 December 2013 and 2014 have been published.

DEFINITIONS

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

"Articles"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Auditors"	RSM Hong Kong
"Board"	the board of Directors
"Business Day"	has the meaning ascribed to it under the GEM Listing Rules
"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this annual report, references to China or the PRC exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Company"	China Futex Holdings Limited 中國福紡控股有限公司, a company incorporated as an exempted company with limited liability in the Cayman Islands on 28 July 2016
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Fujian Fufang"	福建福紡精密機械有限公司 (Fujian Futex Machinery Co., Ltd*), a limited liability company established in the PRC on 4 November 2010 and an indirect wholly-owned subsidiary of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time as the context may require
"Group"	the Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on GEM of the Stock Exchange on 4 January 2018
"Listing Date"	4 January 2018, the date the Shares were listed on the GEM of the Stock Exchange
"Model Code"	a code of conduct adopted by the Company regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules effective from the Listing Date
"Prospectus"	the prospectus of the Company published on 20 December 2017 in connection with the Listing
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	the share option scheme of the Company adopted by the Shareholders on 11 December 2017
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhangzhou Fukai"	漳州福凱貿易有限公司 (Zhangzhou Fukai Trading Co., Ltd*), a limited liability company established in the PRC on 12 October 2016 and an indirect wholly-owned subsidiary of the Company
"Zhangzhou Kaixing"	漳州凱星機械有限公司 (Zhangzhou Kaixing Machine Co., Ltd*), a wholly foreign owned enterprise company established in the PRC on 15 March 2004 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

* *For identification purposes only*