



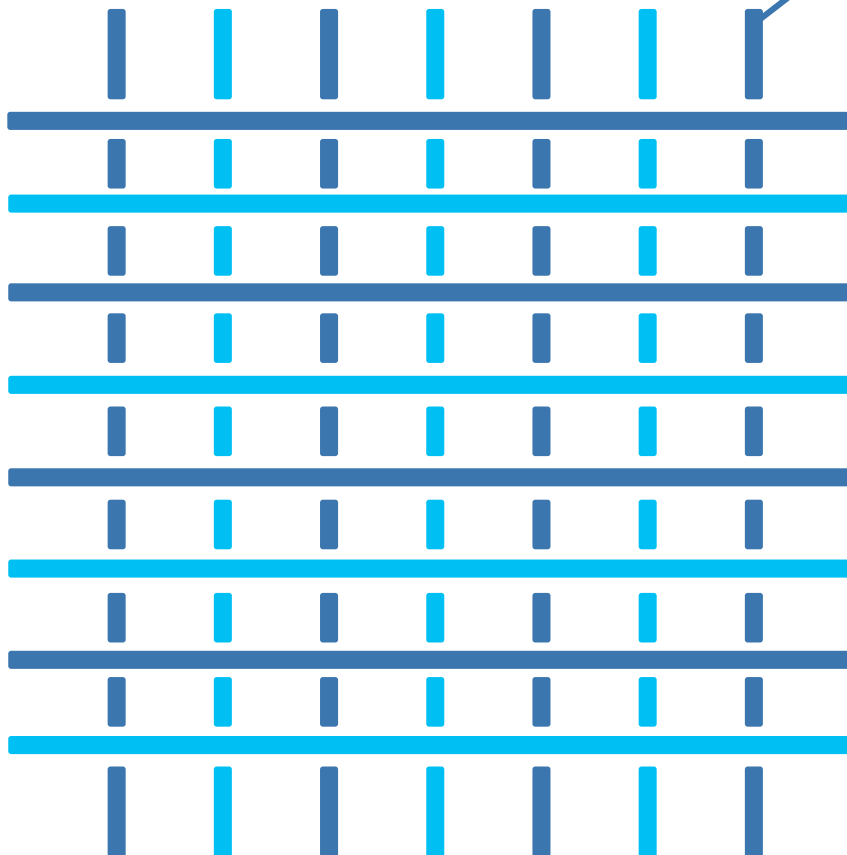
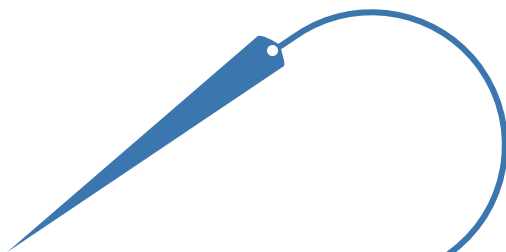
CHINA FUTEX HOLDINGS LIMITED

中國福紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8506

INTERIM REPORT 2018



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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.

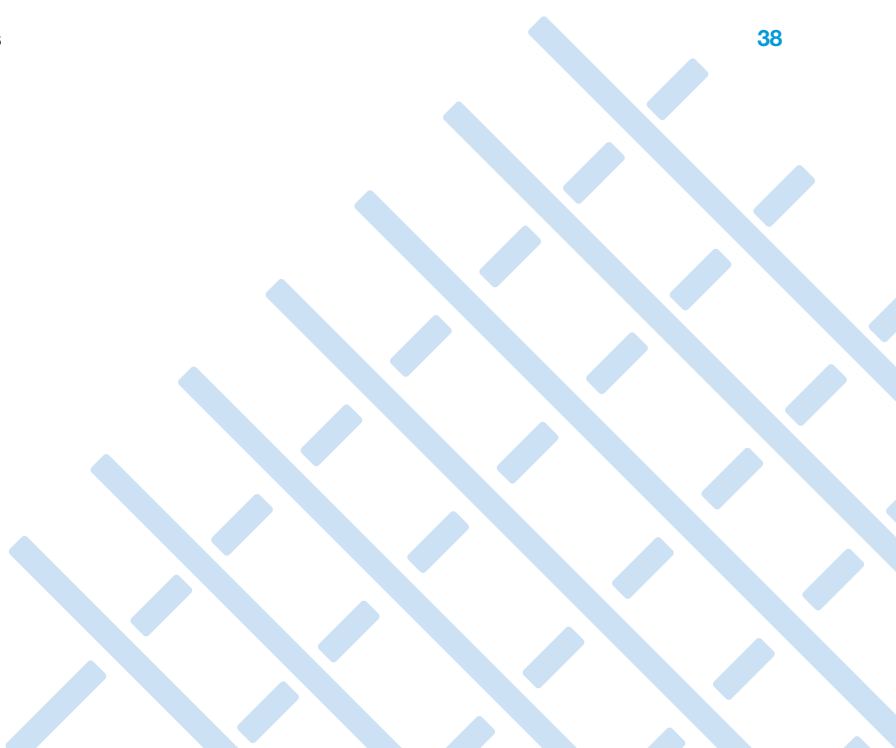
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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having 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.

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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

29/F, 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
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Sheung Wan, Hong Kong

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

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INDEPENDENT REVIEW REPORT



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TO THE BOARD OF DIRECTORS OF CHINA FUTEX HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 24 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

9 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Revenue	4	60,031	63,185
Cost of goods sold		(39,399)	(40,511)
Gross profit		20,632	22,674
Other income		688	417
Selling expenses		(1,409)	(1,038)
Administrative expenses		(10,208)	(8,101)
Profit from operations		9,703	13,952
Finance costs		(1,116)	(1,211)
Profit before tax		8,587	12,741
Income tax expense	5	(2,185)	(2,875)
Profit for the period attributable to owners of the Company	6	6,402	9,866
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to owners of the Company		6,402	9,866
Earnings per share			
– Basic (RMB cents)	8	0.64	1.43

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	23,204	22,851
Prepaid land lease payments		2,702	2,738
Total non-current assets		25,906	25,589
Current assets			
Inventories		16,797	12,890
Trade receivables	10	17,355	24,532
Deposits, prepayments and other receivables		8,630	6,636
Bank and cash balances		116,238	74,380
Total current assets		159,020	118,438
TOTAL ASSETS		184,926	144,027
EQUITY			
Share capital	11	8,411	360
Reserves		101,017	56,419
Total equity		109,428	56,779

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	12	24,708	21,149
Deposits received, accruals and other payables		5,116	10,799
Bank loans		44,900	44,900
Due to an owner of ultimate parent	13	–	8,909
Current tax liabilities		774	1,491
Total current liabilities		75,498	87,248
TOTAL EQUITY AND LIABILITIES		184,926	144,027
NET ASSETS		109,428	56,779

Approved by the Board of Directors on 9 August 2018:

Yuan Yuan
Director

Zheng Jiafu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company					
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (Audited)	338	–	1,830	3,825	21,201	27,194
Issue of ordinary shares (Audited)	22	10,588	–	–	–	10,610
Total comprehensive income for the period (Audited)	–	–	–	–	9,866	9,866
Changes in equity for the period (Audited)	22	10,588	–	–	9,866	20,476
At 30 June 2017 (Audited)	360	10,588	1,830	3,825	31,067	47,670
At 1 January 2018 (Unaudited)	360	10,588	1,830	6,170	37,831	56,779
Issue of ordinary shares (Unaudited)	8,051	38,196	–	–	–	46,247
Total comprehensive income for the period (Unaudited)	–	–	–	–	6,402	6,402
Changes in equity for the period (Unaudited)	8,051	38,196	–	–	6,402	52,649
At 30 June 2018 (Unaudited)	8,411	48,784	1,830	6,170	44,233	109,428

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Net cash generated from operating activities	5,667	12,378
Purchases of property, plant and equipment	(1,437)	(212)
Interest received	290	81
Net cash used in investing activities	(1,147)	(131)
Decrease in due to owners (Decrease)/increase in due to an owner of ultimate parent	– (8,909)	(6,732) 6,733
Bank loans raised	44,900	44,900
Repayment of bank loans	(44,900)	(44,900)
Purchase of equity capital of 漳州凯星机械有限公司 (Zhangzhou Kaixing Machinery Limited) pursuant to group reorganisation	–	(6,430)
Issue of ordinary shares	46,247	10,948
Net cash generated from financing activities	37,338	4,519
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,858	16,766
CASH AND CASH EQUIVALENTS AT 1 JANUARY	74,380	43,480
CASH AND CASH EQUIVALENTS AT 30 JUNE	116,238	60,246
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	116,238	60,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2017 (“the 2017 audited consolidated financial statements”). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the 2017 audited consolidated financial statements except as stated below.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s condensed consolidated interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D) IFRS 9 Financial Instruments (cont'd)

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement category:

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Impairment

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

No impact on the Group's opening retained earnings as at 1 January 2018 by adoption of IFRS 9 on the Group.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

IFRS 9 Financial Instruments (cont'd)

(b) Impairment (cont'd)

The following table and the accompanying notes below explain the original measurement category under IAS 39 and the new measurement category under IFRS 9 for the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification	Classification	Carrying amount	Carrying amount
		under IAS 39	under IFRS 9	under IAS 39	under IFRS 9
				RMB'000	RMB'000
Trade and other receivables	(a)	Loans and receivables	Amortised cost	24,532	24,532

- (a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. RMB Nil in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)**

IFRS 15 Revenue from Contracts with Customers (cont'd)

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

3. SEGMENT INFORMATION

	Single circular knitting machine RMB'000	Double circular knitting machine RMB'000	Others RMB'000	Total RMB'000
6 months ended 30 June 2018 (Unaudited):				
Revenue from external customers	20,686	38,542	803	60,031
Segment profit	6,851	13,670	111	20,632
As at 30 June 2018 (Unaudited):				
Segment assets	10,900	15,130	3,560	29,590
6 months ended 30 June 2017 (Audited):				
Revenue from external customers	16,498	46,126	561	63,185
Segment profit	5,606	17,000	68	22,674
As at 31 December 2017 (Audited):				
Segment assets	7,849	19,936	2,636	30,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. SEGMENT INFORMATION (CONT'D)

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	20,632	22,674
Research and development expenditure	(3,067)	(2,773)
Interest expenses	(1,116)	(1,211)
Listing expenses	(3,186)	(2,870)
Depreciation	(1,084)	(1,078)
Other profit or loss	(3,592)	(2,001)
Consolidated profit before tax	8,587	12,741

4. REVENUE

The Group's operations and main revenue streams are those described in the 2017 audited consolidated financial statements. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying IFRS 15 on the Group's condensed consolidated interim financial statements are disclosed in note 2.

4. REVENUE (CONT'D)

In the following table, revenue is disaggregated by primary geographical markets and timing of revenue recognition.

For the six months ended 30 June	Sales of circular knitting machines		Sales of parts and consumables of circular knitting machines		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Primary geographical markets						
The People's Republic of China (the "PRC")	26,636	32,506	699	438	27,335	32,944
India	16,180	11,566	4	112	16,184	11,678
Bangladesh	5,473	6,450	-	-	5,473	6,450
South Korea	5,302	11,059	-	-	5,302	11,059
Turkey	5,200	772	100	-	5,300	772
Others	437	271	-	11	437	282
Total	59,228	62,624	803	561	60,031	63,185
Timing of revenue recognition						
Products transferred at a point in time	59,228	62,624	803	561	60,031	63,185

The receivables from contracts with customers are included in "Trade receivables".

Revenue recognition is recognised when products transferred at a point in time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Current tax – PRC		
Provision for the period	2,580	2,875
Over-provision in prior period	(395)	–
	2,185	2,875

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (six months ended 30 June 2017: RMB Nil).

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 PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation 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 is entitled to a preferential enterprise income tax rate of 15% for three years commencing from the year ended 31 December 2015.

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

6. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Amortisation of prepaid land lease payments	36	36
Depreciation	1,084	1,078
Research and development expenditure	3,067	2,773
Listing expenses	3,186	2,870
Cost of inventories sold	39,399	40,511
Net exchange loss	562	106

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2017: RMB Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Earnings		
Profit attributable to owners of the Company	6,402	9,866
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	996,685,083	692,289,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB1,437,000 (six months ended 30 June 2017: RMB212,000).

10. TRADE RECEIVABLES

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0 to 90 days	8,546	14,290
91 to 180 days	3,054	3,115
181 to 365 days	5,717	7,127
Over 1 year	38	–
	17,355	24,532

11. SHARE CAPITAL

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	177,502	177,502
Issued and fully paid: 1,000,000,000 (As at 31 December 2017: 41,591,160) ordinary shares of HK\$0.01 each	8,411	360

11. SHARE CAPITAL (CONT'D)

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares issued	Nominal value of shares issued RMB'000
As at 1 January 2017		50,000	338
Shares issued	(a)	3,322	22
Repurchase of shares	(b)	(53,322)	–
Allotment of shares as consideration for repurchase of the share of US\$1 each from each of the shareholders	(b)	<u>41,591,160</u>	<u>–</u>
As at 31 December 2017 and 1 January 2018		41,591,160	360
Shares issued	(c)	<u>958,408,840</u>	<u>8,051</u>
As at 30 June 2018		<u>1,000,000,000</u>	<u>8,411</u>

Notes:

(a) On 2 February 2017, the Company issued 3,322 shares of US\$1 each to PAM Global Opportunities Fund pursuant to a share subscription agreement dated 27 January 2017 at a consideration of HK\$12,000,000.

(b) 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.

(c) On 3 January 2018, 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. 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

12. TRADE PAYABLES

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0 to 90 days	24,708	21,149

13. AMOUNT DUE TO AN OWNER OF ULTIMATE PARENT

Amount due to an owner of ultimate parent was non-trade in nature, unsecured, interest-free and had no fixed repayment terms. Amount due to an owner of ultimate parent represented the advancement from an owner of ultimate parent.

14. CAPITAL COMMITMENTS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Contracted but not provided for: Purchase of plant and machinery	100	–

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Sales to a related company	–	1,026

(b) Key management personnel remuneration

During the period, the remuneration of directors and other members of key management personnel was as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Short term employee benefits	557	420
Retirement benefit scheme contributions	64	63
	621	483

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (As at 31 December 2017: RMB Nil).

17. NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

18. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 9 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research and development (“R&D”), manufacturing and sales 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 six months ended 30 June 2018, the Group recorded a revenue of approximately RMB60.0 million, representing a slight decrease of approximately 5.0% from approximately RMB63.2 million for the six months ended 30 June 2017.

The Group has continued to strengthen its R&D capabilities in order to respond to and anticipate changes in the market and enhance the Group’s competitiveness within the circular knitting machinery industry. For the six months ended 30 June 2018, one utility model patent of the Group in relation to circular knitting machines has been successfully registered.

OUTLOOK

The Group will closely monitor the domestic and foreign macroeconomic and policy changes, and timely adjust its business strategy according to such changes. In the meantime, the Group will further enhance its profitability, market competitiveness and risk resistance capability. Based on its existing sales network, the Group will further develop the Southeast Asian market, while maintaining its domestic market share. The Group will continue to research and develop new models and enhance smart functions of its products.

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 six months ended 30 June 2018, the Group recorded a revenue of approximately RMB60.0 million, representing a slight decrease of approximately 5.0% from approximately RMB63.2 million for the six months ended 30 June 2017. The sales of single circular knitting machines increased by approximately 25.4% from approximately RMB16.5 million for the six months ended 30 June 2017 to approximately RMB20.7 million for the six months ended 30 June 2018. The sales of double circular knitting machines decreased by approximately 16.4% from approximately RMB46.1 million for the six months ended 30 June 2017 to approximately RMB38.5 million for the six months ended 30 June 2018. The fluctuations in the sale of single circular knitting machines and double circular knitting machines were mainly attributable to the constant change in the demand of the Group’s customers during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas sales increased by approximately 8.1% from approximately RMB30.2 million for the six months ended 30 June 2017 to approximately RMB32.7 million for the six months ended 30 June 2018. 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 and has since then successfully exported the Group's products to various overseas markets. Domestic sales decreased by approximately 17.0% from approximately RMB32.9 million for the six months ended 30 June 2017 to approximately RMB27.3 million for the six months ended 30 June 2018.

Cost of Goods Sold

The Group's cost of goods sold slightly decreased by 2.7% from approximately RMB40.5 million for the six months ended 30 June 2017 to approximately RMB39.4 million for the six months ended 30 June 2018. Such decrease in the cost of goods sold was in line with the decrease in the revenue of the Group for the six months ended 30 June 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2018 was approximately RMB20.6 million, representing a decrease by approximately 9.0% when compared with its gross profit of approximately RMB22.7 million for the six months ended 30 June 2017. This was primarily due to the magnitude of the decrease in sale of double circular knitting machines (which would generate a higher gross profit margin) that was larger than the increase in sale of single circular knitting machines (which would generate a lower gross profit margin) for the six months ended 30 June 2018.

The Group's gross profit margin slightly decreased from approximately 35.9% for the six months ended 30 June 2017 to approximately 34.4% for the six months ended 30 June 2018. This was primarily due to the magnitude of the decrease in revenue which was larger than the decrease in cost of goods sold for the six months ended 30 June 2018.

Other Income

The Group's other income consists of rental income, scrap sales and interest income. The Group's other income was approximately RMB0.7 million for the six months ended 30 June 2018, representing an increase of approximately 65.0% as compared with the other income of approximately RMB0.4 million for the six months ended 30 June 2017. This was primarily due to a substantial increase in interest income and scrap sales while rental income remained stable.

Selling Expenses

The Group's selling expenses mainly consist of travelling, entertainment and transportation expenses, staff benefits expenses and promotion expenses. For the six months ended 30 June 2018, the Group's selling expenses were approximately RMB1.4 million, representing an increase of approximately 35.7% over the selling expenses of approximately RMB1.0 million for the six months ended 30 June 2017. The increase was primarily due to the increase in transportation expenses incurred from higher overseas sales and increase in promotion expenses incurred from organising customer seminars and attending industry exhibitions.

Administrative Expenses

The Group's administrative expenses mainly include (i) R&D expenses; (ii) employee salary and benefits expenses; (iii) listing expenses; (iv) professional fees and (v) foreign exchange losses. The Group's administrative expenses for the six months ended 30 June 2018 were approximately RMB10.2 million, representing an increase of approximately 26.0% over the administrative expenses of approximately RMB8.1 million for the six months ended 30 June 2017. The increase was primarily attributable to the increase in recurring professional fees, foreign exchange losses due to Renminbi fluctuation and the recognition of non-recurring listing expenses.

Finance Costs

The Group's finance costs recorded a decrease of approximately 7.8% from approximately RMB1.2 million for the six months ended 30 June 2017 to RMB1.1 million for the six months ended 30 June 2018. This was primarily due to the lower average interest rate granted to the Group in respect of its loans for the six months ended 30 June 2018 compared with the corresponding period in the preceding year.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2018 was approximately RMB2.2 million, representing a decrease of approximately 24.0% from approximately RMB2.9 million for the six months ended 30 June 2017. Such decrease was in line with the decrease in profit before tax resulting from the decrease in revenue and increase in administrative expenses for the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately RMB6.4 million, representing a decrease of approximately 35.1% as compared with the profit of approximately RMB9.9 million for the six months ended 30 June 2017. The decrease was primarily attributable to the decrease in revenue and increase in administrative expenses for the six months ended 30 June 2018.

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 RMB83.5 million as at 30 June 2018 (31 December 2017: RMB31.2 million). Such increase was primarily attributable to the net proceeds from the Listing.

As at 30 June 2018, the Group's current assets amounted to approximately RMB159.0 million (31 December 2017: RMB118.4 million) of which approximately RMB16.8 million (31 December 2017: RMB12.9 million) was inventories; approximately RMB17.4 million was trade receivables (31 December 2017: RMB24.5 million); approximately RMB8.6 million was deposits, prepayments and other receivables (31 December 2017: RMB6.6 million); and approximately RMB116.2 million was bank and cash balances (31 December 2017: RMB74.4 million).

As at 30 June 2018, the Group's total borrowings amounted to approximately RMB44.9 million (31 December 2017: RMB53.8 million). The Group's borrowings included bank loans of approximately RMB44.9 million (31 December 2017: RMB44.9 million). The amount due to an owner of ultimate parent of approximately RMB8.9 million as at 31 December 2017 was fully settled before Listing. The bank loans are denominated in Renminbi, charged at fixed interest rates and repayable on demand or within one year.

The Group's gearing ratio as at 31 December 2017 and 30 June 2018, which was calculated by dividing the total debt by the total equity as at those dates, was approximately 94.8% and 41.0% respectively. The total debt includes all bank loans and amounts due to an owner of ultimate parent (in respect of 2017) while the total equity includes the share capital and reserves of the Group. The decrease in the Group's gearing ratio as at 30 June 2018 was primarily attributable to (i) the increase in the Group's reserves and share capital due to the issue of Shares from the Listing and the profits for the six months ended 30 June 2018, and (ii) the settlement of the amount due to an owner of ultimate parent.

USE OF PROCEEDS FROM LISTING AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The proceeds from the Listing, after deducting related issuance expenses, amounted to approximately HK\$40.9 million. The below table sets out the proposed applications of the proceeds and actual use of proceeds from the date of the Listing up to 30 June 2018 and a comparison of the Group's business plan as set out in the Prospectus with its actual business progress up to 30 June 2018.

Business objectives and implementation plans up to 30 June 2018 as set out in the Prospectus	Planned use of proceeds to be applied up to 30 June 2018 HK\$'000	Actual use of proceeds up to 30 June 2018 HK\$'000	Actual implementation plan up to 30 June 2018
Enhance customer loyalty and brand awareness	500	582	

- (i) Arrange customer seminars and attend industry exhibitions to promote the Group's brand name and products

The Group has organized one customer seminar in December 2017 and has made prepayment for an industry exhibition which is scheduled to be held in October 2018

- (ii) An office building (the "**New Office Building**") will be constructed on the land of the Group to be used for sales and marketing, and R&D and appointment of architectural firm and construction firm for the construction

The Group is at the preliminary consultation stage

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives and implementation plans up to 30 June 2018 as set out in the Prospectus	Planned use of proceeds to be applied up to 30 June 2018 HK\$'000	Actual use of proceeds up to 30 June 2018 HK\$'000	Actual implementation plan up to 30 June 2018
Continue to maintain and enhance the Group's R&D Capabilities	400	100	
(i) Construct the New Office Building – Same as above			Same as above
(ii) Collaborations with higher education institutions to provide training to the Group's R&D personnel			The Group has provided training to its R&D personnel offered by a higher education institution
Expand customer base in the overseas market	600	–	
(i) Setting up overseas sales offices in Mumbai of India and Dhaka of Bangladesh			The Group is in the process of identifying suitable locations for setting up overseas sales offices in Mumbai and Dhaka
Expand the Group's production capacity	3,600	2,100	
(i) Payment of the purchase price in relation to one high-end CNC machinery			The Group has purchased one CNC machine and other production machineries. The Group will continue to acquire suitable machinery to cater for its increasing production needs

PRINCIPAL RISKS AND UNCERTAINTIES

Below are principal risks and uncertainties that may have a material and adverse effect on the Group's business, financial conditions and results of operations and the Group's risk management measures:

1. The Group may not be able to maintain its historical growth rates or profit margins, and its results of operations may fluctuate significantly.

Building on its existing client base, the Group will continue to develop its overseas market and seek new customers. In addition, the Group leverages on the expertise and experience of its senior management to deliver efficient operation and management, so as to reduce the risk of instability.

2. The Group's R&D may not be able to catch up with technological advancements.

The Group is in the process of establishing a new R&D center to improve its R&D capability. The Group will collaborate with higher education institutions to conduct R&D and offer staff training in order to maintain its R&D capability.

3. The Group's business depends on its ability to retain key personnel.

The Group maintains good relationship with its senior management and provides its staff with sufficient professional trainings. Staff remuneration and benefits are in line with the prevailing market rates and subject to regular review by the Group.

4. Labour shortages and increase in labour costs may have an adverse effect on the Group's business operations.

The Group will step up its publicity efforts to attract talents and recruit new employees through various channels. The Group is committed to cultivating junior employees with great potential to become more productive senior staff.

5. The Group may be unable to collect its trade receivables in a timely manner and have to record impairment losses.

The Group will adhere to contract terms strictly and recover its trade receivables within the periods as prescribed in the relevant contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2018, the capital structure of the Company comprised mainly of bank borrowings, issued share capital and reserves.

CHARGE ON GROUP ASSETS

As at 30 June 2018, the Group has pledged (i) property, plant and equipment with carrying amount of approximately RMB20.5 million (31 December 2017: RMB19.2 million); and (ii) prepaid land lease payments with carrying amount of approximately RMB2.7 million (31 December 2017: RMB2.7 million) as security for the Group's bank loans.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a workforce of 90 (31 December 2017: 91) 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 six months ended 30 June 2018, the total employee benefit expenses of the Group (including salaries, bonuses, allowances and retirement benefit scheme contributions) was approximately RMB3.7 million (for the 12 months ended 31 December 2017: RMB6.6 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.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the six months ended 30 June 2018.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2018, the Group had capital commitments of approximately RMB0.1 million (31 December 2017: RMB Nil) for the purchase of plant and machinery and did not have 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.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 30 June 2018. Save as disclosed in the Prospectus, the Company did not have other plans for material investments or capital assets.

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 of the Company's listed securities during the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2018, 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 (陳毅輝)	Interest in a controlled corporation	81,195,379 (note 1)	8.119%
Mr. Zheng Jiafu (鄭加福)	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 30 June 2018, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, 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 30 June 2018, no person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETING INTERESTS

During the six months ended 30 June 2018, none of the Directors or the Controlling Shareholders or substantial Shareholders or their respective 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 (“**Ms. 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.

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. The Board is of the view that since the Listing Date and up to 30 June 2018 (“**Relevant Period**”), the Company has complied with all applicable code provisions as set out in 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.

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.

INTEREST OF COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited (“**ECF**”), the Company’s compliance adviser, save for (i) ECF’s participation as the sole 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 30 June 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or by the Group subsequent to 30 June 2018 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company, which consists of Mr. Shum Shing Kei, Dr. Mu Zhirong and Dr. Hu Xudong, all being independent non-executive Directors, has reviewed this report and the Group’s unaudited consolidated financial results for the six months ended 30 June 2018, and is of the opinion that the preparation of such results complied with applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made in respect thereof.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: RMB Nil).

DEFINITIONS

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

“Board”	the board of Directors
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules
“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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) 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
“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 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
“OEM”	acronym for original equipment manufacturer, whereby products are manufactured in accordance with the customer’s specification and are marketed under the brand names specified by the customers
“PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this report, references to China or the PRC exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company published on 20 December 2017 in connection with the Listing
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the United States of America
“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
“%”	per cent

* For identification purposes only

By order of the Board
China Futex Holdings Limited
Yuan Yuan
Chairlady and Chief Executive Officer

Hong Kong, 9 August 2018

As at the date hereof, the Board comprises Ms. Yuan Yuan, Mr. Chen Yihui and Mr. Zheng Jiafu as Executive Directors; and Dr. Hu Xudong, Mr. Shum Shing Kei and Dr. Mu Zhirong as Independent Non-executive Directors.