



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

2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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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
(resigned on 14 January 2019)

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Huan Lai Chun

COMPLIANCE OFFICER

Ms. Yuan Yuan

AUTHORISED REPRESENTATIVES

Ms. Yuan Yuan
Ms. Huan Lai Chun

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

Room 1204, 12/F
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302-308 Hennessy Road, Wan Chai
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HONG KONG LEGAL ADVISERS

LF Legal
Suites 1001-02, 10/F
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Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
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Clifton House, 75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
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Hong Kong

PLACE OF LISTING

Stock Exchange

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 5 to 16 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2019 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

14 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Unaudited) |
| Revenue | 4 | 60,491 | 60,031 |
| Cost of goods sold | | (41,126) | (39,399) |
| Gross profit | | 19,365 | 20,632 |
| Other income | | 879 | 688 |
| Selling expenses | | (1,219) | (1,409) |
| Administrative expenses | | (7,324) | (10,208) |
| Profit from operations | | 11,701 | 9,703 |
| Finance costs | | (1,265) | (1,116) |
| Profit before tax | | 10,436 | 8,587 |
| Income tax expense | 5 | (1,304) | (2,185) |
| Profit for the period attributable to owners of the Company | 6 | 9,132 | 6,402 |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive income for the period attributable to owners of the Company | | 9,132 | 6,402 |
| Earnings per share | | | |
| – Basic (RMB cents) | 8 | 0.91 | 0.64 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| | Note | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|--|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 21,303 | 22,334 |
| Prepaid land lease payments | | 2,631 | 2,667 |
| Total non-current assets | | 23,934 | 25,001 |
| Current assets | | | |
| Inventories | | 10,680 | 14,093 |
| Trade receivables | 10 | 24,317 | 28,453 |
| Deposits, prepayments and other receivables | | 2,114 | 1,305 |
| Bank and cash balances | | 135,411 | 132,939 |
| Total current assets | | 172,522 | 176,790 |
| TOTAL ASSETS | | 196,456 | 201,791 |
| EQUITY | | | |
| Share capital | 11 | 8,411 | 8,411 |
| Reserves | | 124,414 | 115,282 |
| Total equity | | 132,825 | 123,693 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 12 | 14,493 | 28,809 |
| Deposits received, accruals and other payables | | 3,091 | 2,140 |
| Bank loans | | 45,900 | 45,900 |
| Current tax liabilities | | 147 | 1,249 |
| Total current liabilities | | 63,631 | 78,098 |
| TOTAL EQUITY AND LIABILITIES | | 196,456 | 201,791 |
| NET ASSETS | | 132,825 | 123,693 |

Approved by the Board of Directors on 14 August 2019:

Yuan Yuan
Director

Chen Yihui
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

| | (Unaudited) | | | | | |
|--|---------------------------------------|---------------|-----------------|---------------------------|------------------|----------------|
| | 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 2018 | 360 | 10,588 | 1,830 | 6,170 | 37,831 | 56,779 |
| Issue of ordinary shares under the global offering | 2,520 | 43,727 | - | - | - | 46,247 |
| Share capitalisation | 5,531 | (5,531) | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 6,402 | 6,402 |
| Changes in equity for the period | 8,051 | 38,196 | - | - | 6,402 | 52,649 |
| At 30 June 2018 | 8,411 | 48,784 | 1,830 | 6,170 | 44,233 | 109,428 |
| At 1 January 2019 | 8,411 | 48,784 | 1,830 | 6,223 | 58,445 | 123,693 |
| Total comprehensive income for the period | - | - | - | - | 9,132 | 9,132 |
| Changes in equity for the period | - | - | - | - | 9,132 | 9,132 |
| At 30 June 2019 | 8,411 | 48,784 | 1,830 | 6,223 | 67,577 | 132,825 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 2,273 | 5,667 |
| Purchases of property, plant and equipment | - | (1,437) |
| Interest received | 199 | 290 |
| Net cash generated from/(used in) investing activities | 199 | (1,147) |
| Decrease in due to an owner of ultimate parent | - | (8,909) |
| Bank loans raised | 45,900 | 44,900 |
| Repayment of bank loans | (45,900) | (44,900) |
| Issue of ordinary shares | - | 46,247 |
| Net cash generated from financing activities | - | 37,338 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,472 | 41,858 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 132,939 | 74,380 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 135,411 | 116,238 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | 135,411 | 116,238 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

These condensed 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 (the “Stock Exchange”).

These condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 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 2019. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single, on-balance sheet accounting model for lessees.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Group has no lease arrangements as lessee. IFRS 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 (Unaudited): | | | | |
| Revenue from external customers | 24,009 | 34,458 | 2,024 | 60,491 |
| Segment profit | 7,259 | 11,774 | 332 | 19,365 |
| As at 30 June 2019 (Unaudited): | | | | |
| Segment assets | 10,854 | 21,026 | 2,505 | 34,385 |
| 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 31 December 2018 (Audited): | | | | |
| Segment assets | 8,407 | 24,281 | 3,714 | 36,402 |
| Reconciliation of segment profit or loss: | | | | |
| Total profit or loss of reportable segments | | | 19,365 | 20,632 |
| Research and development expenditure | | | (3,092) | (3,067) |
| Interest expenses | | | (1,265) | (1,116) |
| Listing expenses | | | - | (3,186) |
| Depreciation | | | (1,031) | (1,084) |
| Other profit or loss | | | (3,541) | (3,592) |
| Consolidated profit before tax | | | 10,436 | 8,587 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE

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

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 | | Sales of parts and consumables of circular | | Total | |
|--|-------------------|---------------|--|-------------|---------------|---------------|
| | knitting machines | | knitting machines | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Primary geographical markets | | | | | | |
| The People's Republic of China (the "PRC") | 16,202 | 26,636 | 1,403 | 699 | 17,605 | 27,335 |
| Vietnam | 12,680 | - | 504 | - | 13,184 | - |
| Bangladesh | 11,630 | 5,473 | 14 | - | 11,644 | 5,473 |
| India | 9,811 | 16,180 | 102 | 4 | 9,913 | 16,184 |
| South Korea | 8,005 | 5,302 | - | - | 8,005 | 5,302 |
| Turkey | - | 5,200 | - | 100 | - | 5,300 |
| Others | 140 | 437 | - | - | 140 | 437 |
| Total | 58,468 | 59,228 | 2,023 | 803 | 60,491 | 60,031 |
| Timing of revenue recognition | | | | | | |
| Products transferred at a point in time | 58,468 | 59,228 | 2,023 | 803 | 60,491 | 60,031 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------------|--------------------------|-------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current tax – PRC | | |
| Provision for the period | 1,734 | 2,580 |
| Over-provision in prior period | (430) | (395) |
| | 1,304 | 2,185 |

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.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2018, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment of 2018/2019. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (six months ended 30 June 2018: RMB Nil).

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% except for 福建福紡精密機械有限公司 Fujian Futex Machinery Co., Ltd. (“Fujian Fufang”), 漳州福凱貿易有限公司 Zhangzhou Fukai Trading Co., Ltd. (“Zhangzhou Fukai”) and 漳州凱星機械有限公司 Zhangzhou Kaixing Machinery Co. Ltd. (“Zhangzhou Kaixing”).

Fujian Fufang and Zhangzhou Fukai were recognised as “Small and Thin Profit Enterprise” during the period under relevant enterprise income tax rules and regulations. 25% of its assessable profits is subject to a preferential enterprise income tax rate at 20% for the period ended 30 June 2019. Zhangzhou Kaixing was granted the status of a “High and New Technology Enterprise” and entitled to a preferential enterprise income tax rate at 15% for three years commencing from the year ended 31 December 2015. It was further extended for three more years commencing from the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of prepaid land lease payments | 36 | 36 |
| Depreciation | 1,031 | 1,084 |
| Research and development expenditure | 3,092 | 3,067 |
| Listing expenses | – | 3,186 |
| Cost of inventories sold | 41,126 | 39,399 |
| Net exchange loss | 321 | 562 |

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2018: RMB Nil).

8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit attributable to owners of the Company | 9,132 | 6,402 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 1,000,000,000 | 996,685,083 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT

No property, plant and equipment was acquired during the six months ended 30 June 2019 (year ended 31 December 2018: RMB1,608,000).

10. TRADE RECEIVABLES

The aging analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|-----------------|--|--|
| 0 to 90 days | 12,634 | 18,904 |
| 91 to 180 days | 8,907 | 4,273 |
| 181 to 365 days | 2,776 | 5,276 |
| | 24,317 | 28,453 |

11. SHARE CAPITAL

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 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 ordinary shares of HK\$0.01 each | 8,411 | 8,411 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 |
|--|------|----------------------------|---|
| At as 1 January 2018 | | 41,591,160 | 360 |
| Shares issued under the global offering | (a) | 300,000,000 | 2,520 |
| Share capitalisation | (b) | 658,408,840 | 5,531 |
| As at 31 December 2018, 1 January 2019 and 30 June 2019 | | 1,000,000,000 | 8,411 |

Notes:

- (a) Pursuant to written resolutions passed on 11 December 2017, the shareholders of the Company approved the allotment and issue of 300,000,000 new ordinary shares of HK\$0.01 each of the Company in connection with the global offering of shares by the Company. On 3 January 2018, the Company issued 300,000,000 new ordinary shares ("New Shares") 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. The premium on the issue of 300,000,000 New Shares, net of listing related expenses, amounting to approximately RMB43,727,000 was credited to the Company's share premium account.
- (b) On 3 January 2018, 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.

12. TRADE PAYABLES

The aging analysis of trade payables as at the balance sheet date, based on the date of receipt of goods, is as follows:

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|--------------|--|--|
| 0 to 90 days | 14,493 | 28,809 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. 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 no other transactions with its related parties during the period.

(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 | |
|---|--------------------------|-------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Short term employee benefits | 587 | 557 |
| Retirement benefit scheme contributions | 71 | 64 |
| | 658 | 621 |

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (As at 31 December 2018: RMB Nil).

15. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 14 August 2019.

BUSINESS REVIEW

The Group is principally engaged in the 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 2019, the Group recorded a revenue of approximately RMB60.5 million, representing a slight increase of approximately 0.8% from approximately RMB60.0 million for the six months ended 30 June 2018.

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 2019, the Group has registered seven utility model patents for its circular knitting machines in the PRC.

OUTLOOK

In the first half of 2019, the textile machinery industry demonstrated diverse development trends in different segments. The sales of most textile machinery products grew, among which the sales of circular knitting machineries remained stable. According to the statistics from China Customs, from January 2019 to March 2019, the total import and export volume of textile machineries amounted to approximately US\$1,721 million, among which the import volume of textile machineries decreased by approximately 4.7% to approximately US\$819 million as compared with that of the corresponding period last year. Meanwhile, the export volume of textile machineries increased by approximately 1.6% to approximately US\$902 million as compared with that of the corresponding period last year. The Group has proactively streamlined its business strategies in response to market demand, and has developed the Vietnamese market and maintained its sales volume. The Group will continue to seek for potential markets and strengthen its R&D capabilities in order to enhance the competitiveness 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 2019, the Group recorded a revenue of approximately RMB60.5 million, representing a slight increase of approximately 0.8% from approximately RMB60.0 million for the six months ended 30 June 2018. The sales of single circular knitting machines increased by approximately 16.1% from approximately RMB20.7 million for the six months ended 30 June 2018 to approximately RMB24.0 million for the six months ended 30 June 2019. The sales of double circular knitting machines decreased by approximately 10.6% from approximately RMB38.5 million for the six months ended 30 June 2018 to approximately RMB34.5 million for the six months ended 30 June 2019. 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 31.2% from approximately RMB32.7 million for the six months ended 30 June 2018 to approximately RMB42.9 million for the six months ended 30 June 2019. Domestic sales decreased by approximately 35.6% from approximately RMB27.3 million for the six months ended 30 June 2018 to approximately RMB17.6 million for the six months ended 30 June 2019.

The Group also derives revenue from the sales of parts of circular knitting machines and consumables. The sales from such operating segment increased by approximately 151.9% from approximately RMB0.8 million for the six months ended 30 June 2018 to approximately RMB2.0 million for the six months ended 30 June 2019. The significant increase was primarily due to the increased orders for replacement of parts and consumables such as thread stands, cylinders and needles which were mainly from the domestic customers of the Group.

Cost of Goods Sold

The Group's cost of goods sold slightly increased by 4.4% from approximately RMB39.4 million for the six months ended 30 June 2018 to approximately RMB41.1 million for the six months ended 30 June 2019. Such increase was primarily due to the price increase of raw materials used by the Group and the increase in sale of single circular knitting machines which required a higher production cost for the six months ended 30 June 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2019 was approximately RMB19.4 million, representing a decrease by approximately 6.1% when compared with its gross profit of approximately RMB20.6 million for the six months ended 30 June 2018. This was primarily due to the magnitude of the increase in cost of raw materials and production cost of circular knitting machines (in particular the single circular knitting machines) which was larger than the increase in revenue for the six months ended 30 June 2019 and the decrease in sales of double circular knitting machines.

The Group's gross profit margin decreased from approximately 34.4% for the six months ended 30 June 2018 to approximately 32.0% for the six months ended 30 June 2019. This was primarily due to the price increase of raw materials used by the Group which resulted in the decrease in gross profit margin for both single circular knitting machines and double circular knitting machines.

Other Income

The Group's other income consists of rental income, scrap sales, interest income and R&D subsidies and reward. The Group's other income was approximately RMB0.9 million for the six months ended 30 June 2019, representing an increase of approximately 27.8% as compared with the other income of approximately RMB0.7 million for the six months ended 30 June 2018. This was primarily due to the reward for High and New Technology Enterprises and R&D subsidies of approximately RMB344,000 granted by the PRC government authorities of the Longhai City to the Group notwithstanding the decrease in income generated from scrap sales and the decrease in interest income from bank deposits for the six months ended 30 June 2019 when compared with the corresponding period last year.

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 2019, the Group's selling expenses were approximately RMB1.2 million, representing a decrease of approximately 13.5% over the selling expenses of approximately RMB1.4 million for the six months ended 30 June 2018. The decrease was primarily due to (i) the decrease in entertainment and transportation expenses as a result of an increase of OEM customers which bore transportation costs; and (ii) the decrease in promotion expenses given there was no customer seminar organised by the Group for the six months ended 30 June 2019.

Administrative Expenses

The Group's administrative expenses mainly include (i) R&D expenses; (ii) employee salary and benefits expenses and (iii) listing expenses. The Group's administrative expenses for the six months ended 30 June 2019 were approximately RMB7.3 million, representing a decrease of approximately 28.3% over the administrative expenses of approximately RMB10.2 million for the six months ended 30 June 2018. The decrease was primarily attributable to the decrease in professional fees and non-recurring listing expenses.

Finance Costs

The Group's finance costs recorded an increase of approximately 13.4% from approximately RMB1.1 million for the six months ended 30 June 2018 to RMB1.3 million for the six months ended 30 June 2019. This was primarily due to the increase in (i) bank borrowings and (ii) lending rate for bank borrowings for the six months ended 30 June 2019 as compared with the corresponding period last year.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2019 was approximately RMB1.3 million, representing a decrease of approximately 40.3% from approximately RMB2.2 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in assessable profits of Fujian Fufang and Zhangzhou Fukai, two of the PRC subsidiaries of the Group, and the reduction in applicable tax rate for the six months ended 30 June 2019 as compared with the corresponding period last year.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to approximately RMB9.1 million, representing an increase of approximately 42.6% as compared with the profit of approximately RMB6.4 million for the six months ended 30 June 2018. The increase was primarily attributable to the significant decrease in administrative expenses.

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 RMB108.9 million as at 30 June 2019 (31 December 2018: RMB98.7 million). Such increase was primarily attributable to the significant decrease in trade payables.

As at 30 June 2019, the Group's current assets amounted to approximately RMB172.5 million (31 December 2018: RMB176.8 million) of which approximately RMB10.7 million (31 December 2018: RMB14.1 million) was inventories; approximately RMB24.3 million was trade receivables (31 December 2018: RMB28.5 million); approximately RMB2.1 million was deposits, prepayments and other receivables (31 December 2018: RMB1.3 million); and approximately RMB135.4 million was bank and cash balances (31 December 2018: RMB133.0 million).

As at 30 June 2019, the Group's total borrowings amounted to approximately RMB45.9 million (31 December 2018: RMB45.9 million). The Group's borrowings only consist of bank loans of approximately RMB45.9 million (31 December 2018: RMB45.9 million) and are denominated in Renminbi. 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 2018 and 30 June 2019, which was calculated by dividing the total debt by the total equity as at those dates, was approximately 37.1% and 34.6% respectively. The total debt includes all bank loans 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 2019 was primarily attributable to the increase in the Group's reserves from approximately RMB115.3 million as at 31 December 2018 to approximately RMB124.4 million as at 30 June 2019 due to the increase in retained profits.

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 2019 and a comparison of the Group's business plan as set out in the Prospectus with its actual business progress up to 30 June 2019.

| Business objectives and implementation plans up to 30 June 2019 as set out in the Prospectus | Planned use of proceeds to be applied up to 30 June 2019 HK\$'000 (Note 1) | Actual use of proceeds up to 30 June 2019 HK\$'000 | Actual implementation plan up to 30 June 2019 |
|---|--|---|---|
| Enhance customer loyalty and brand awareness | 4,400 | 630 | |
| (i) Arrange customer seminars and attend industry exhibitions to promote the Group's brand name and products | | | The Group organised one customer seminar in December 2017 and attended one industry exhibition in October 2018. The Group also leased a billboard for advertising purpose |
| (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 engaged a design consultancy firm for preliminary design of the New Office Building. The Group has closely monitored the progress of construction of the New Office Building and is yet to appoint a construction firm for the construction |
| Continue to maintain and enhance the Group's R&D Capabilities | 8,200 | 230 | |
| (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 in April and October 2018 |
| (iii) R&D of a new model of circular knitting machine | | | The Group is in the process of R&D of a new model of double circular knitting machines. The Group has successfully registered seven utility models in relation to circular knitting machines for the six months ended 30 June 2019 |

| Business objectives and implementation plans up to 30 June 2019 as set out in the Prospectus | Planned use of proceeds to be applied up to 30 June 2019 HK\$'000 (Note 1) | Actual use of proceeds up to 30 June 2019 HK\$'000 | Actual implementation plan up to 30 June 2019 |
|--|--|---|---|
| Expand customer base in the overseas market | 3,000 | – | |
| (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. The Group has closely monitored the progress of setting up the overseas sale offices |
| Expand the Group's production capacity | 4,500 | 2,290 | |
| (i) Payment of the purchase price in relation to one high-end CNC machinery and the lathe, a type of machine used for milling and drilling | | | 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 |
| Expand the Group's production capabilities upstream | 11,700 | – | |
| (i) Purchase of machineries for the manufacturing of Hearts | | | The Group is at the preliminary consultation stage |

The Group will apply the proceeds from the Listing in the manner consistent with the proposed applications of the proceeds set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The implementation plans for business objectives and use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business objectives and applied the proceeds of the Listing based on the actual development of the Group's business and industry, as well as market conditions.

Note:

- The amount of the planned use of proceeds is calculated based on the mid-point of the indicative offer price range of the Shares as stated in the Prospectus.

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.

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 2019, the capital structure of the Company comprised mainly of bank borrowings, issued share capital and reserves.

CHARGE ON GROUP ASSETS

As at 30 June 2019, the Group has pledged (i) property, plant and equipment with carrying amount of approximately RMB18.8 million (31 December 2018: RMB17.7 million); and (ii) prepaid land lease payments with carrying amount of approximately RMB2.6 million (31 December 2018: RMB2.7 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 six months ended 30 June 2019.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 30 June 2019. Save as disclosed in the Prospectus, the Company did not have other plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group 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.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a workforce of 91 (31 December 2018: 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 2019, the total employee benefit expenses of the Group (including salaries, bonuses, allowances and retirement benefit scheme contributions) was approximately RMB4.1 million (for the 12 months ended 31 December 2018: RMB8.4 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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 2019.

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

As at 30 June 2019, 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 controlled corporation | 81,195,379 <i>(note 1)</i> | 8.119% |

Note:

- (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.

Save as disclosed above, as at 30 June 2019, 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 which was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which was 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 2019, 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 in ordinary Shares

| 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) Sheen Vision Group Limited is wholly owned by Mr. Chen Yihui. 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 2019, 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 which was required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

COMPETING INTERESTS

During the six months ended 30 June 2019, 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 its Shareholders, enhance its 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 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 2019 (the “**Relevant Period**”), the Company has complied with all applicable code provisions as set out in the CG Code, except for the deviation from 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 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. Specific enquiry has been made with all 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) the participation of ECF as the sole sponsor in relation to the Listing; and (ii) the compliance adviser's agreement dated 19 December 2017 entered into between the Company and ECF, 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 2019, 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 2019 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 2019, 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 2019 (2018: RMB Nil).

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 |
| “China” or “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, the 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 |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under 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 |
| “Heart” | 芯臟, a core part of a circular knitting machine, mainly used for stabilising and connecting the Triangles |
| “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 |

DEFINITIONS

| | |
|---------------------|--|
| “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 |
| “Prospectus” | the prospectus of the Company published on 20 December 2017 in connection with the Listing |
| “R&D” | research and development |
| “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 |
| “Triangle(s)” | 三角, a core part of a circular knitting machine, which controls the movement of the needles placed within the cylinder according to the different products being produced by the circular knitting machines |
| “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 |
| “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

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

Hong Kong, 14 August 2019

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