



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

THIRD QUARTERLY 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.

THIRD QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	2	27,186	33,502	87,677	93,533
Cost of goods sold		(18,502)	(22,912)	(59,628)	(62,311)
Gross profit		8,684	10,590	28,049	31,222
Other income		291	2,217	1,170	2,905
Selling expenses		(554)	(662)	(1,773)	(2,071)
Administrative expenses		(2,736)	(3,003)	(10,060)	(13,211)
Profit from operations		5,685	9,142	17,386	18,845
Finance costs		(651)	(588)	(1,916)	(1,704)
Profit before tax		5,034	8,554	15,470	17,141
Income tax expense	4	(994)	(1,163)	(2,298)	(3,348)
Profit for the period and total comprehensive income for the period attributable to owners of the Company	5	4,040	7,391	13,172	13,793
Earnings per share					
– Basic (RMB cents)	6	0.40	0.74	1.32	1.38

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
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)	-	-	-	-	13,793	13,793
Changes in equity for the period (Unaudited)	8,051	38,196	-	-	13,793	60,040
At 30 September 2018 (Unaudited)	8,411	48,784	1,830	6,170	51,624	116,819
As at 1 January 2019 (Unaudited)	8,411	48,784	1,830	6,223	58,445	123,693
Total comprehensive income for the period (Unaudited)	-	-	-	-	13,172	13,172
Changes in equity for the period (Unaudited)	-	-	-	-	13,172	13,172
At 30 September 2019 (Unaudited)	8,411	48,784	1,830	6,223	71,617	136,865

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The Company was incorporated and domiciled in the Cayman Islands with limited liability. The Shares of the Company have been listed on GEM of the Stock Exchange since 4 January 2018.

The unaudited consolidated financial statements for the three months and the nine months ended 30 September 2019 are presented in Renminbi.

The unaudited consolidated financial statements for the three months and the nine months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”, which comprise all applicable respective International Financial Reporting Standards, International Accounting Standards and Interpretations). The unaudited consolidated financial statements also include applicable disclosures required by GEM Listing Rules.

The unaudited consolidated financial statements for the nine months ended 30 September 2019 should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018 and the notes thereto (the “**2018 Audited Consolidated Financial Statements**”). The significant accounting policies adopted in the preparation of the unaudited consolidated financial statements are consistent with those followed in the preparation of the 2018 Audited Consolidated Financial Statements. It should be noted that accounting estimates and assumptions were adopted in the preparation of the unaudited consolidated financial statements. Although the estimates are based on the management’s best knowledge of and judgement on the present events and actions, the actual results may eventually differ from those estimates.

Certain new and revised IFRSs have been issued. Adoption of new IFRSs which are effective for the accounting periods beginning on 1 January 2019 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods. For the IFRSs that are not yet effective nor have not been early adopted, the Group is in the process of assessing the potential impact of the new IFRSs.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

2. REVENUE

The revenue of the Group recognised in the three months and the nine months ended 30 September 2019 includes the following:

	For the three months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of circular knitting machines	26,591	33,198
Sales of parts and consumables of circular knitting machines	595	304
	27,186	33,502

	For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of circular knitting machines	85,058	92,426
Sales of parts and consumables of circular knitting machines	2,619	1,107
	87,677	93,533

3. SEGMENT INFORMATION

The Group has three operating segments as follows:

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

NOTES TO THE UNAUDITED
CONSOLIDATED FINANCIAL RESULTS

3. SEGMENT INFORMATION (CONTINUED)

Information about operating segment profit or loss:

	Single circular knitting machine RMB'000 (Unaudited)	Double circular knitting machine RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the three months ended 30 September 2019				
Revenue from external customers	9,449	17,142	595	27,186
Segment profits	2,891	5,710	83	8,684
For the three months ended 30 September 2018				
Revenue from external customers	11,743	21,455	304	33,502
Segment profits	3,512	7,030	48	10,590
For the nine months ended 30 September 2019				
Revenue from external customers	33,458	51,600	2,619	87,677
Segment profits	10,150	17,484	415	28,049
For the nine months ended 30 September 2018				
Revenue from external customers	32,429	59,997	1,107	93,533
Segment profits	10,363	20,700	159	31,222

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

3. SEGMENT INFORMATION (CONTINUED)

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

	For the three months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
PRC	8,623	17,269
Overseas	18,563	16,233
Consolidated total	27,186	33,502

	For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
PRC	26,228	44,604
Overseas	61,449	48,929
Consolidated total	87,677	93,533

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

4. INCOME TAX EXPENSE

	For the three months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Provision – PRC	994	1,163

	For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Provision – PRC	2,728	3,743
Overprovision in prior periods	(430)	(395)
Consolidated total	2,298	3,348

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 (nine months ended 30 September 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 September 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 UNAUDITED CONSOLIDATED FINANCIAL RESULTS

5. PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company is stated after charging/(crediting) the following:

	For the three months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Amortisation of prepaid land lease payments	17	17
Depreciation	515	525
Research and development expenditure	1,471	1,409
Cost of inventories sold	18,502	22,912
Net exchange gain	(564)	(136)

	For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Amortisation of prepaid land lease payments	53	53
Depreciation	1,546	1,609
Research and development expenditure	4,563	4,476
Listing expenses	-	3,186
Cost of inventories sold	59,628	62,311
Net exchange (gain)/loss	(243)	426

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 September 2019 is based on the profit attributable to owners of the Company of approximately RMB4,040,000 (2018: RMB7,391,000) and the weighted average number of 1,000,000,000 ordinary shares in issue for the period (2018: 1,000,000,000 shares).

The calculation of basic earnings per share for the nine months ended 30 September 2019 is based on the profit attributable to owners of the Company of approximately RMB13,172,000 (2018: RMB13,793,000) and the weighted average number of 1,000,000,000 ordinary shares in issue for the period (2018: 997,802,198 shares).

7. DIVIDENDS

The Directors do not recommend any payment of dividend for the nine months ended 30 September 2019 (2018: Nil).

BUSINESS REVIEW

The Group is principally engaged in R&D, manufacturing and sale of circular knitting machines. The Group derives its revenue mainly from the sales of circular knitting machines (i) domestically under the Group's own brands; and (ii) overseas either under the Group's own brands or the brands specified by trading companies purchasing on OEM basis. For the nine months ended 30 September 2019, the Group recorded a turnover of approximately RMB87.7 million, representing a decrease of approximately 6.3% from approximately RMB93.5 million recorded for the nine months ended 30 September 2018.

Although revenue derived from double circular knitting machines has dropped, the sale of more advanced computerised double circular knitting machines has increased significantly by approximately 121.7% from approximately RMB11.6 million for the nine months ended 30 September 2018 to approximately RMB25.8 million for the nine months ended 30 September 2019. Computerisation is becoming popular among circular knitting machinery and computerised circular knitting machines generally attract higher average selling price over traditional ones. Over the years, Group has been focusing on developing and upgrading its products with more advanced technologies and has successfully registered various patents in this respect.

During the period under review, 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 nine months ended 30 September 2019, the Group has registered seven utility model patents and has applied for seven utility model patents for its circular knitting machines in the PRC.

OUTLOOK

The trade tensions between China and the United States of America have experienced twists and turns this year and are unlikely to be fully resolved in a short period of time, casting uncertainties over the international trade environment of the textile industry. The international trade environment has become complicated and volatile, while the domestic and overseas textile sectors have faced challenges on market demand. Despite the haze of uncertainties and instabilities surrounding the Chinese economy, it will maintain an overall trend of steady growth. The continuous enhancement in domestic policies and business environment are conducive to stabilizing the domestic market conditions, which enable the stable development of the textile industry. The Company will continue to focus on upgrading and improving its products, actively adjusting its product portfolio, fulfilling its market demands and coping with the volatile market, so as to maintain its steady development.

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 nine months ended 30 September 2019, the Group recorded revenue of approximately RMB87.7 million, representing a decrease of approximately 6.3% when compared with the nine months ended 30 September 2018 of approximately RMB93.5 million. The sales of single circular knitting machines increased by approximately 3.2% from approximately RMB32.4 million for the nine months ended 30 September 2018 to approximately RMB33.5 million for the nine months ended 30 September 2019. The sales of double circular knitting machines decreased by approximately 14.0% from approximately RMB60.0 million for the nine months ended 30 September 2018 to approximately RMB51.6 million for the nine months ended 30 September 2019. The fluctuations in the sale of single circular knitting machines and double circular knitting machines were mainly attributable to (i) the constant change in the demand of the Group's customers during the nine months ended 30 September 2019, and (ii) the decline in domestic market demand, notwithstanding the rise in overseas market demand for circular knitting machines.

MANAGEMENT DISCUSSION AND ANALYSIS

Domestic sales decreased by approximately 41.2% from approximately RMB44.6 million for the nine months ended 30 September 2018 to approximately RMB26.2 million for the nine months ended 30 September 2019. Overseas sales increased by approximately 25.6% from approximately RMB48.9 million for the nine months ended 30 September 2018 to approximately RMB61.4 million for the nine months ended 30 September 2019. Amongst the overseas customers, sales to South Korea has more than doubled for the nine months ended 30 September 2019 when compared with those for the nine months ended 30 September 2018.

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 136.6% from approximately RMB1.1 million for the nine months ended 30 September 2018 to approximately RMB2.6 million for the nine months ended 30 September 2019. The 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 decreased by 4.3% from approximately RMB62.3 million for the nine months ended 30 September 2018 to approximately RMB59.6 million for the nine months ended 30 September 2019. Such decrease in the cost of goods sold was in line with the decrease in the revenue of the Group for the nine months ended 30 September 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit for the nine months ended 30 September 2019 was approximately RMB28.0 million, representing a decrease by approximately 10.2% when compared with its gross profit of approximately RMB31.2 million for the nine months ended 30 September 2018. Such decrease was primarily due to the increase in the cost of raw materials and 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 nine months ended 30 September 2019.

The Group's gross profit margin decreased from approximately 33.4% for the nine months ended 30 September 2018 to approximately 32.0% for the nine months ended 30 September 2019. This was primarily due to the price increase of raw materials of the Group.

Other Income

The Group's other income consists of rental income, interest income, R&D subsidies and reward and scrap sales. The Group's other income was approximately RMB1.2 million for the nine months ended 30 September 2019, representing a decrease of approximately 59.7% as compared with the other income of approximately RMB2.9 million for the nine months ended 30 September 2018. The decrease was primarily due to the decrease in PRC subsidies and reward and scrap sales. The one-off incentive fees for the Listing of RMB2.0 million was received by the Group from the government of the Longhai City of the PRC for the nine months ended 30 September 2018, whereas no such incentive fee was recorded for the nine months ended 30 September 2019.

Selling Expenses

The Group's selling expenses mainly consist of travelling, entertainment and transportation expenses, sales staff salary and promotion expenses. For the nine months ended 30 September 2019, the Group's selling expenses were approximately RMB1.8 million, representing a decrease of approximately 14.4% over the selling expenses of approximately RMB2.1 million for the nine months ended 30 September 2018. The decrease was primarily due to the decrease in transportation expenses as a result of an increase of OEM customers which bore transportation costs for the nine months ended 30 September 2019.

Administrative Expenses

The Group's administrative expenses mainly include (i) R&D expenses; (ii) employee salary and benefits expenses; (iii) listing expenses and (iv) professional fees. The Group's administrative expenses for the nine months ended 30 September 2019 were approximately RMB10.1 million, representing a decrease of approximately 23.9% over the administrative expenses of approximately RMB13.2 million for the nine months ended 30 September 2018. The decrease was primarily attributable to the decrease in non-recurring listing expenses.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the nine months ended 30 September 2019 amounted to approximately RMB13.2 million, representing a decrease of approximately 4.5% as compared with the profit of approximately RMB13.8 million for the nine months ended 30 September 2018. The decrease was primarily attributable to the decrease in revenue and the PRC subsidies and reward despite the substantial decrease in administrative expenses.

USE OF PROCEEDS FROM LISTING

The proceeds from the Listing, after deducting related issuance expenses, amounted to approximately HK\$40.9 million. Since the date of the Listing and up to 30 September 2019, approximately HK\$0.7 million has been used to enhance customer loyalty and brand awareness; approximately HK\$0.2 million has been used to maintain and enhance the Group's R&D capabilities; approximately HK\$2.3 million has been used to purchase machineries; and approximately HK\$3.6 million has been used as working capital.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2019.

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

As at 30 September 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) 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)	8.119%

Note: 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 September 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 September 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 September 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 by the Company pursuant to section 336 of the SFO.

COMPETING INTERESTS

During the nine months ended 30 September 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, entered into the Deed of Non-Competition, 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.

INTEREST OF COMPLIANCE ADVISER

As notified by 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 September 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 nine months ended 30 September 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 nine months ended 30 September 2019 (2018: Nil).

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

“Board”	the board of Directors
“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
“Deed of Non-Competition”	a deed of non-competition dated 19 December 2017 entered into by Azure Wealth Limited, Ms. Zheng Yonghua and Ms. Yuan Yuan, the Controlling Shareholders, in favour of the Company
“Director(s)”	the director(s) of the Company
“ECF”	Essence Corporate Finance (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“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”	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
“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

DEFINITIONS

“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
“%”	per cent

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

Hong Kong, 4 November 2019

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