

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION
PROVISION OF GUARANTEES

PROVISION OF GUARANTEES

The Board wishes to announce that the Cross Guarantee Arrangement was entered into between the Guarantor and the Borrower.

Pursuant to the Cross Guarantee Arrangement, the Guarantor (an indirect wholly-owned subsidiary of the Company) entered into five guarantees in favour of the Banks for the due performance of the repayment obligations of the Borrower in an aggregate guaranteed amount of RMB126,990,000 over a period of time before the date of this announcement.

GEM LISTING RULES IMPLICATIONS

The Company unintentionally failed to notice the existence of the Cross Guarantee Arrangement and to make timely disclosure of the provision of Guarantees and sought for Shareholders' approval.

Such failure was because the Wrongdoing Director viewed that the Guarantor was in real need of the Cross Guarantee Arrangement because of the operational needs of the Guarantor and mistakenly believed that (1) he, as a director and legal representative of the Guarantor, was under an automatic authority to enter into the Cross Guarantee Arrangement with the Borrower and the Guarantees with the Banks on behalf of the Guarantor and (2) that the provision of Guarantees by the Guarantor as a subsidiary of the Company is not subject to the GEM Listing Rules.

The Company was only made aware of the existence of the Cross Guarantee Arrangement recently through a review of the bank transaction records of the Group and the Company has immediately investigated into the matters and made this announcement as a remedial measure after being made aware of the omission.

If the Guarantees are viewed as an aggregate, one or more of the applicable percentage ratios in respect of the provision of the Guarantees exceed 25% but all those applicable percentage ratios are less than 75%, the provision of the Guarantees constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. In this connection, the Company had failed to comply with the requirements of the GEM Listing Rules at the time of the provision of the Guarantees.

The purpose of this announcement is to provide the Shareholders and the investing public with details and the latest status in relation to the provision of the Guarantees.

THE CROSS GUARANTEE ARRANGEMENT

The Cross Guarantee Arrangement was entered into between the Guarantor and the Borrower.

Pursuant to the Cross Guarantee Arrangement, the Guarantor and the Borrower would cross guarantee each other's banking facilities. No fee is or will be payable or charged and no securities is or will be taken or provided in relation to the Cross Guarantee Arrangement.

Pursuant to the Cross Guarantee Arrangement, the Guarantor (an indirect wholly-owned subsidiary of the Company) entered into five guarantees in favour of the Banks for the due performance of the repayment obligations of the Borrower in an aggregate guaranteed amount of RMB126,990,000 over a period of time before the date of this announcement.

THE ABC GUARANTEE

The Guarantor entered into the ABC Guarantee with ABC, pursuant to which the Guarantor agreed to provide guarantee in favour of ABC for the due performance of the repayment obligations of the Borrower to ABC under the ABC First Loan Agreement and the ABC Second Loan Agreement.

Principal terms of the ABC Guarantee

Parties:

- (1) the Guarantor (as guarantor); and
- (2) ABC (as guarantee)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, ABC and its ultimate beneficial owner(s) are Independent Third Parties.

Scope of the Guarantee: The Guarantor agreed to provide guarantee in favour of ABC for the due performance of the Borrower's repayment obligations under the ABC First Loan Agreement and the ABC Second Loan Agreement for the aggregate maximum amounts of RMB16,000,000 with respect to, among others, the principal amounts under the ABC First Loan Agreement and the ABC Second Loan Agreement, interest, penalties, compensation and other expenses incurred by ABC from the realisation of its debt.

Term of the Guarantee: Commencing from the effective date of the ABC Guarantee and up to two years after the expiry of the repayment obligations of the debts under each of the ABC First Loan Agreement and the ABC Second Loan Agreement.

THE CITIC GUARANTEE

The Guarantor entered into the CITIC Guarantee with CITIC, pursuant to which the Guarantor agreed to provide guarantee in favour of CITIC for the due performance of the repayment obligations of the Borrower to CITIC under the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement.

Principal terms of the CITIC Guarantee

Parties: (1) the Guarantor (as guarantor); and
(2) CITIC (as guarantee)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, CITIC and its ultimate beneficial owner(s) are Independent Third Parties.

Scope of the Guarantee: The Guarantor agreed to provide guarantee in favour of CITIC for the due performance of the Borrower's repayment obligations under the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement for the aggregate maximum amounts of RMB21,000,000 with respect to, among others, the principal amounts under the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement, interest, penalties, compensation and other expenses incurred by CITIC from the realisation of its debt.

Term of the Guarantee: Commencing from the effective date of the CITIC Guarantee and up to three years after the expiry of the repayment obligations of the debts under each of the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement.

THE EVERBRIGHT GUARANTEE

The Guarantor entered into the Everbright Guarantee with Everbright, pursuant to which the Guarantor agreed to provide guarantee in favour of Everbright for the due performance of the repayment obligations of the Borrower to Everbright under the Everbright Loan Agreement.

Principal terms of the Everbright Guarantee

Parties: (1) the Guarantor (as guarantor); and
(2) Everbright (as guarantee)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Everbright and its ultimate beneficial owner(s) are Independent Third Parties.

Scope of the Guarantee: The Guarantor agreed to provide guarantee in favour of Everbright for the due performance of the Borrower's repayment obligations under the Everbright Loan Agreement for the aggregate maximum amounts of RMB20,000,000 with respect to, among others, the principal amounts under the Everbright Loan Agreement, interest, penalties, compensation and other expenses incurred by Everbright from the realisation of its debt.

Term of the Guarantee: Commencing from the effective date of the Everbright Guarantee and up to two years after the expiry of the repayment obligations of the debts under the Everbright Loan Agreement.

THE BOC GUARANTEE

The Guarantor entered into the BOC Guarantee with BOC, pursuant to which the Guarantor agreed to provide guarantee in favour of BOC for the due performance of the repayment obligations of the Borrower to BOC under the BOC Line of Credit Agreement.

Principal terms of the BOC Guarantee

Parties: (1) the Guarantor (as guarantor); and
(2) BOC (as guarantee)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, BOC and its ultimate beneficial owner(s) are Independent Third Parties.

Scope of the Guarantee: The Guarantor agreed to provide guarantee in favour of BOC for the due performance of the Borrower's repayment obligations under the BOC Line of Credit Agreement for the aggregate maximum amounts of RMB49,990,000 with respect to, among others, the principal amounts under the BOC Line of Credit Agreement, interest, penalties, compensation and other expenses incurred by BOC from the realisation of its debt.

Term of the Guarantee: Commencing from the effective date of the BOC Guarantee and up to two years after the expiry of the term of the line of credit under the BOC Line of Credit Agreement.

THE BCOM GUARANTEE

The Guarantor entered into the BCOM Guarantee with BCOM, pursuant to which the Guarantor agreed to provide guarantee in favour of BCOM for the due performance of the repayment obligations of the Borrower to BCOM under the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement.

Principal terms of the BCOM Guarantee

Parties: (1) the Guarantor (as guarantor); and
(2) BCOM (as guarantee)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, BCOM and its ultimate beneficial owner(s) are Independent Third Parties.

Scope of the Guarantee: The Guarantor agreed to provide guarantee in favour of BCOM for the due performance of the Borrower's repayment obligations under the BCOM First Loan Agreement and the BCOM Second Loan Agreement for the aggregate maximum amounts of RMB20,000,000 with respect to, among others, the principal amounts under the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement, interest, penalties, compensation and other expenses incurred by BCOM from the realisation of its debt.

Term of the Guarantee: Commencing from the effective date of the BCOM Guarantee and up to two years after the expiry of the repayment obligations of the debts under each of the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement.

REASONS AND BENEFITS OF THE PROVISION OF GUARANTEES

It is a common practice for some of the banks in the PRC to request a third party's guarantee when granting banking facilities to an entity. Some banks in most circumstances would not consider any guarantee provided by related parties to the Borrower to be sufficient.

Having made the necessary enquiries with the Wrongdoing Director, the other Directors note that the Borrower has provided and/or has undertaken to provide or procure to provide corresponding guarantee to the Guarantor on a reciprocal basis and therefore consider that the entering into the Cross Guarantee Arrangement with the Borrower is in the commercial interest of the Group in the long run as banking facilities and bank loans are one of the Group's major financial resources which may require third party guarantee as security.

Having taken into consideration of the above factors, the Board considers that the terms and conditions of the Cross Guarantee Arrangement are on normal commercial terms and are fair and reasonable (having taken into account the prevailing market interest rates and practices), and in the interests of the Company and the shareholders as a whole.

INFORMATION RELATING TO THE GROUP, THE BANKS AND THE BORROWER

The Group

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

The Banks

Each of the Banks is a licensed bank established under the laws of the PRC which is principally engaged in, among others, the provision of financing services in the PRC.

The Borrower

The Borrower is a limited liability company established in the PRC which is, as of the date of this announcement, principally engaged in primarily food processing (canned vegetables, canned fruits, canned edible fungi and snacks). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are the Independent Third Parties.

GEM LISTING RULES IMPLICATIONS

The Company unintentionally failed to notice the existence of the Cross Guarantee Arrangement and to make timely disclosure of the provision of Guarantees and sought for Shareholders' approval.

Such failure was because the Wrongdoing Director viewed that the Guarantor was in real need of the Cross Guarantee Arrangement because of the operational needs of the Guarantor and mistakenly believed that (1) he, as a director and legal representative of the Guarantor, was under an automatic authority to enter into the Cross Guarantee Arrangement with the Borrower and the Guarantees with the banks on behalf of the Guarantor and (2) that the provision of Guarantees by the Guarantor as a subsidiary of the Company is not subject to the GEM Listing Rules.

The Company was only made aware of the existence of the Cross Guarantee Arrangement recently through a review of the bank transaction records of the Group and the Company has immediately investigated into the matters and made this announcement as a remedial measure after being made aware of the omission.

If the Guarantees are viewed as an aggregate, one or more of the applicable percentage ratios in respect of the provision of the Guarantees exceed 25% but all those applicable percentage ratios are less than 75%, the provision of the Guarantees constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. In this connection, the Company had failed to comply with the requirements of the GEM Listing Rules at the time of the provision of the Guarantees.

The purpose of this announcement is to provide the Shareholders and the investing public with details and the latest status in relation to the provision of the Guarantees.

REMEDIAL ACTIONS

The Company admits that it has, albeit unintentionally, breached the GEM Listing Rules in respect of the requirements under Chapter 19 of the GEM Listing Rules. The Company has resolved to implement more vigilant internal control procedures, including seeking advanced professional advice, in respect of the granting of any further guarantees. The Company will fully cooperate on any enquiry and/or investigation may have by the Stock Exchange.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“ABC”	Agricultural Bank of China Limited, a licensed commercial bank in the PRC, being the lender under the ABC First Loan Agreement and the ABC Second Loan Agreement
“ABC Guarantee”	the guarantee entered into between the Guarantor as guarantor in favour of ABC, pursuant to which the Guarantor agreed to provide guarantee in favour of ABC for the due performance of the repayment obligations of the Borrower to ABC under the ABC First Loan Agreement and the ABC Second Loan Agreement

“ABC First Loan Agreement”	the loan agreement entered into between ABC and the Borrower in relation to the grant of a loan in the principal amount of RMB7,000,000 by ABC to the Borrower
“ABC Second Loan Agreement”	the loan agreement entered into between ABC and the Borrower in relation to the grant of a loan in the principal amount of RMB6,000,000 by ABC to the Borrower
“Banks”	collectively, ABC, CITIC, Everbright, BOC and BCOM
“BCOM”	Bank of Communications Co., Ltd., a licensed commercial bank in the PRC, being the lender under the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement
“BCOM Guarantee”	the guarantee entered into between the Guarantor as guarantor in favour of BCOM, pursuant to which the Guarantor agreed to provide guarantee in favour of BCOM for the due performance of the repayment obligations of the Borrower to BCOM under the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement
“BCOM First Loan Agreement”	the loan agreement entered into between BCOM and the Borrower in relation to the grant of a loan in the principal amount of RMB4,500,000 by BCOM to the Borrower
“BCOM First Opening Bank Acceptance Bill Agreement”	the opening bank acceptance bill agreement entered into between BCOM and the Borrower in relation to the grant of a loan in the principal amount of RMB2,500,000 by BCOM to the Borrower
“BCOM Second Loan Agreement”	the loan agreement entered into between BCOM and the Borrower in relation to the grant of a loan in the principal amount of RMB10,000,000 by BCOM to the Borrower
“BCOM Second Opening Bank Acceptance Bill Agreement”	the opening bank acceptance bill agreement entered into between BCOM and the Borrower in relation to the grant of a loan in the principal amount of RMB3,000,000 by BCOM to the Borrower
“Board”	the board of Directors
“BOC”	Bank of China Limited, a licensed commercial bank in the PRC, being the lender under the BOC Line of Credit Agreement

“BOC Guarantee”	the guarantee entered into between the Guarantor as guarantor in favour of BOC, pursuant to which the Guarantor agreed to provide guarantee in favour of BOC for the due performance of the repayment obligations of the Borrower to BOC under the BOC Line of Credit Agreement
“BOC Line of Credit Agreement”	the line of credit agreement entered into between BOC and the Borrower in relation to the grant of a line of credit in the amount of RMB49,986,618.31 by BOC to the Borrower
“Borrower”	a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Listed Company, the borrower under the ABC First Loan Agreement, the ABC Second Loan Agreement, the CITIC First Loan Agreement, the CITIC Second Loan Agreement, the CITIC Third Loan Agreement, the Everbright Loan Agreement, the BOC Line of Credit Agreement, the BCOM First Opening Bank Acceptance Bill Agreement, BCOM Second Opening Bank Acceptance Bill Agreement, the BCOM First Loan Agreement and the BCOM Second Loan Agreement
“CITIC”	China CITIC Bank Corporation Limited, a licensed commercial bank in the PRC, being the lender under the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement
“CITIC Guarantee”	the guarantee entered into between the Guarantor as guarantor in favour of CITIC, pursuant to which the Guarantor agreed to provide guarantee in favour of CITIC for the due performance of the repayment obligations of the Borrower to CITIC under the CITIC First Loan Agreement, the CITIC Second Loan Agreement and the CITIC Third Loan Agreement
“CITIC First Loan Agreement”	the loan agreement entered into between CITIC and the Borrower in relation to the grant of a loan in the principal amount of RMB2,500,000 by CITIC to the Borrower
“CITIC Second Loan Agreement”	the loan agreement entered into between CITIC and the Borrower in relation to the grant of a loan in the principal amount of RMB5,500,000 by CITIC to the Borrower
“CITIC Third Loan Agreement”	the loan agreement entered into between CITIC and the Borrower in relation to the grant of a loan in the principal amount of RMB5,000,000 by CITIC to the Borrower, of which RMB1,000,000 had already been repaid by the Borrower

“Company”	China Futex Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange (stock code: 8506)
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Cross Guarantee Arrangement”	the cross guarantee arrangement entered into between the Guarantor and the Borrower
“Everbright”	China Everbright Bank Company Limited, a licensed commercial bank in the PRC, being the lender under the Everbright Loan Agreement
“Everbright Guarantee”	the guarantee entered into between the Guarantor as guarantor in favour of Everbright, pursuant to which the Guarantor agreed to provide guarantee in favour of Everbright for the due performance of the repayment obligations of the Borrower to Everbright under the Everbright Loan Agreement
“Everbright Loan Agreement”	the loan agreement entered into between Everbright and the Borrower in relation to the grant of a loan in the principal amount of RMB20,000,000 by Everbright to the Borrower
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM as amended by the Stock Exchange from time to time
“Group”	the Company and its subsidiaries
“Guarantees”	collectively, the ABC Guarantee, the CITIC Guarantee, the Everbright Guarantee, the BOC Guarantee and the BCOM Guarantee
“Guarantor”	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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholders(s) of the Company, its subsidiaries or any of their respective associate(s)
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wrongdoing Director”	the director of the Company entered into the Cross Guarantee Arrangement and accordingly the Guarantees on behalf of the Guarantor
“%”	per cent

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

Hong Kong, 30 December 2020

As at the date of this announcement, the executive Directors are Ms. Yuan Yuan (Chairlady) and Mr. Chen Yihui; and the independent non-executive Directors are Dr. Hu Xudong, Dr. Mu Zhirong and Mr. Shum Shing Kei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange 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 announcement 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 in this announcement misleading.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.kx-machine.com.