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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)

**QUARTERLY UPDATE ON STATUS OF RESUMPTION OF TRADING
AND
CONTINUED SUSPENSION OF TRADING**

This announcement is made by China Futex Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 17.10(2) and 17.26A of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 30 December 2020, 10 March 2021, 20 May 2021 and 4 June 2021 in relation to, among other things, the unauthorised provision of guarantees by an indirect wholly-owned subsidiary of the Company (the “**Unauthorised Guarantees**”); (ii) the announcement of the Company dated 1 April 2021 in relation to the suspension of trading in the shares of the Company (the “**Shares**”) on the Stock Exchange; (iii) the announcements of the Company dated 25 March 2021, 4 May 2021 and 28 May 2021 in relation to, among other things, the possible delay or delay in publication of the 2020 Annual Results, the 2020 Annual Report, the 2021 First Quarterly Results and the 2021 First Quarterly Report; and (iv) the announcement of the Company dated 16 June 2021 (the “**Resumption Guidance Announcement**”) in relation to, among other things, the Resumption Guidance (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

UPDATE ON THE BUSINESS OPERATIONS OF THE GROUP

The Group is principally engaged in research and development, manufacturing and sale of circular knitting machines. Currently, 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 (original equipment manufacturer) basis.

As disclosed in the announcement of the Company dated 21 April 2021 (the “**Business Update Announcement**”), the Group has entered into the Authorisation Agreement (details of which are set out in the Business Update Announcement), as an initiative to commence its business in the e-commerce industry. The entering into of the Authorisation Agreement will enable the Group to leverage on the extensive experience of Beijing Sousou Kuaipao Technology Co. Ltd.* (北京嗖嗖快跑科技有限公司) (being the Group’s business partner who is a party to the Authorisation Agreement) (“**Beijing Sousou**”), capture the opportunities from the continuously expanding e-commerce market in the PRC, diversify its existing business portfolio and broaden its revenue base under the current challenging environment which would hopefully provide positive impact on the Group’s overall financial performance.

As a further step taken to establish business presence in the e-commerce industry, the Group has entered into the Investment Agreement (details of which are set out in the announcement of the Company dated 25 June 2021) with Beijing Sousou in relation to the formation of a joint venture company proposed to be established in the PRC with a registered capital of RMB50 million, among which, RMB30 million will be contributed by the Group in the form of cash and RMB20 million will be contributed by Beijing Sousou by way of injection of intangible assets into the joint venture company. Upon the establishment of the joint venture company, it will be owned as to 60% by the Group and 40% by Beijing Sousou, and its financial results will be consolidated into the Group’s consolidated financial statements. The Group and Beijing Sousou plan to leverage their respective strengths to jointly establish the joint venture company dedicated to the development of an online shopping mall and virtual red packets issuance business model in the PRC and the development of business in Hong Kong, Macau and Southeast Asia similar to the business model of Beijing Sousou in the PRC. Users of the online shopping mall gain virtual red packets upon online purchase of commodities which can then be used to exchange commodities at the online shopping mall. The Board is of the view that the formation of the joint venture company is in line with the Group’s strategy to establish business presence in the e-commerce industry and the Group’s cooperation with Beijing Sousou can enhance the Group’s technological capabilities for the development in the e-commerce industry.

RESUMPTION GUIDANCE

On 15 June 2021, the Board received a letter from the Stock Exchange setting out the following Resumption Guidance for the Company:

- (i) conduct an appropriate forensic investigation into the Unauthorised Guarantees, disclose the findings and take appropriate remedial actions;
- (ii) conduct an independent forensic investigation with a view to identifying, if any, other material financial assistance made by the Group without proper authorisation, announce the findings, and take appropriate remedial actions;
- (iii) demonstrate that there is no reasonable regulatory concern about management integrity, and/or the integrity of any persons with substantial influence over the Company’s management and operations, which will pose a risk to investors and damage market confidence;
- (iv) demonstrate that the Directors meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 5.01 and 5.02 of the GEM Listing Rules;

- (v) demonstrate that the Company has in place adequate internal control systems and procedures to comply with the GEM Listing Rules;
- (vi) publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- (vii) demonstrate compliance with Rule 17.26 of the GEM Listing Rules; and
- (viii) inform the market of all material information of the Company.

The Stock Exchange may modify or supplement the Resumption Guidance and/or give further guidance if the Company's situation changes.

UPDATE ON RESUMPTION PROGRESS

The Company has actively taken steps to address and comply with the Resumption Guidance as disclosed above.

Update on independent internal control review

As disclosed in the Announcements, the Company has engaged GRC, an independent internal control consultant, to assess the effectiveness of the internal control systems of the Group and to provide recommendations to enhance internal control procedures of the Group. GRC's assessment includes reviewing the business process involved in the provision of guarantees without proper authority. As at the date of this announcement, GRC has provided a draft internal control review report to the Company pursuant to its engagement, and the Board is in the course of considering the recommendations of GRC to enhance the relevant internal control policies of the Group.

Update on external annual audit

The Company has been in periodic contact with the Auditor in relation to audit issues arising from, among other things, (i) the provision of the Unauthorised Guarantees by Zhangzhou Kaixing, an indirect wholly-owned subsidiary of the Company; and (ii) the legal actions against Zhangzhou Kaixing, as disclosed in the Announcements. The Board considers that these issues should be properly addressed in the course of preparation of the consolidated financial statements and additional time is required to resolve the above issues with the Auditor.

The Company will publish further announcement(s) in due course to inform the Shareholders the expected date(s) of publication/despatch of the 2020 Annual Results, the 2020 Annual Report, the 2021 First Quarterly Results and the 2021 First Quarterly Report as and when appropriate.

Directors' training

The Company has provided each of the Directors with the training materials in relation to, among other things, directors' duties and continuing obligations of listed companies under the GEM Listing Rules in June 2021, to enhance their knowledge and understanding of the obligations and responsibilities of the Company and the Directors under the GEM Listing Rules.

Appointment of independent forensic expert

The Company is in the process of identifying an independent forensic expert to conduct the required independent forensic investigation as set out in the Resumption Guidance.

Please note that the above-mentioned development does not necessarily indicate that trading in the Shares will be resumed. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021. Pending fulfilment of the Resumption Guidance, trading in the Shares on the Stock Exchange will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Futex Holdings Limited
Cheng Jun
Chairman and executive Director

Hong Kong, 30 June 2021

As at the date of this announcement, the executive Directors are Mr. Cheng Jun (Chairman), Mr. Guan Min, Mr. Zheng Liangjian and Mr. Wang Kun; and the independent non-executive Directors are Mr. Shum Shing Kei and Mr. Chan Ka Leung Kevin.

This announcement, 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 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 herein or 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.

* *For identification purposes only*