

A close-up photograph of a red textured book cover. A red zipper runs diagonally across the cover, with its metal slider visible on the left. A white rectangular label is partially visible, showing the text "ANNUAL REPORT 2020" in black and orange. The background is a solid red.

ANNUAL REPORT 2020



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CORPORATE PROFILE

With a diversified customer base of over 1600 customers in the PRC, Fuxing China's end products are used by renowned brands such as [Anta](#), [Septwolves](#), [CBA Leisu](#), [LiNing](#), [361°](#), [Samsonite](#), [Fujian Peak](#) and [Northpole China](#), in a wide variety of end-products such as apparels, shoes, bags and camping equipment.



Since its establishment in 1993, Fuxing China has built up a credible track record and market reputation, having garnered over 20 awards in the past 10 years. Its proprietary "3F" brand has been named the "[Symbolic Brand of China](#)" ([中国标志性品牌](#)) by First Chinese Well-Known Brand Conference in 2006 and "[PRC Top 10 Famous Zipper Brands](#)" ([中国拉链十大知名品牌](#)) by the Hardware Association of the PRC in 2005. In January 2007, Fuxing China's products were awarded the Intertek Eco-Certification, which allows the Group's products to be sold in the international markets. Today the Group's zipper products are exported to Australia, the EU, Russia, Turkey, Korea, Thailand, Vietnam, Indonesia and many other countries. In 2008, the Group expanded its production facilities to Shanghai and Qingdao to develop new customer base and to be nearer to its existing customers there.

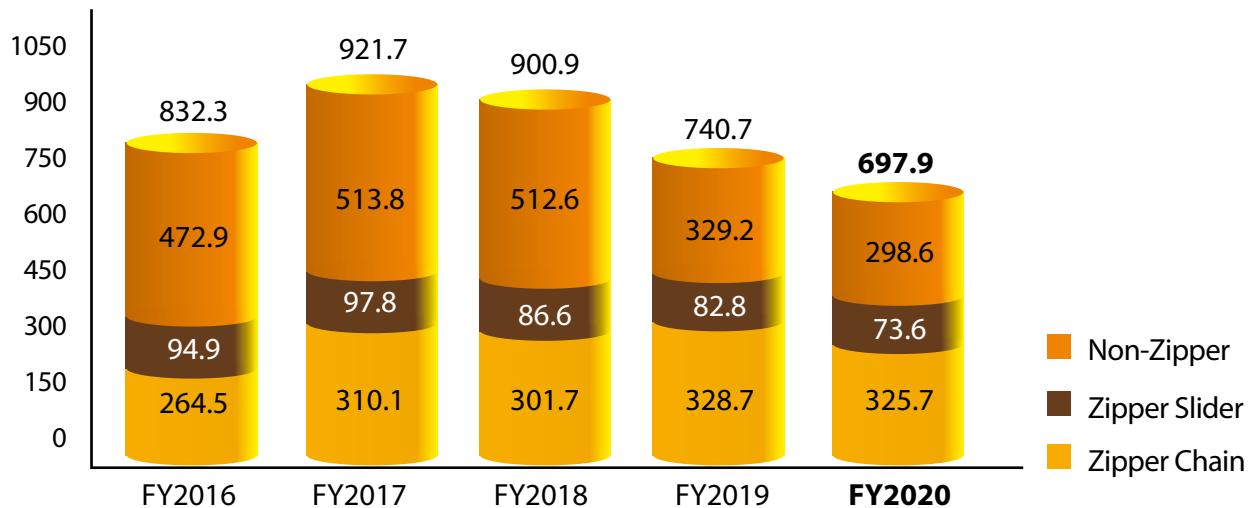
More notably, in 2008, Fuxing China was named one of the 200 companies in Forbes Asia's Fourth Annual Best Under a Billion List, which focuses on Asia Pacific companies with under \$1 billion in sales.

To ensure continual innovation in product quality and improved efficiency, Fuxing China places strong emphasis on product and technical R&D. The Group has a research partnership with the Software Institute of Xiamen University with the aim of enhancing production efficiencies and automation in the manufacturing of zipper products. As a testament of its strength in R&D, Fuxing China's R&D facility was certified as a "[Fujian Provincial Level Enterprise Technology Center](#)" in December 2006. The Group has been granted 18 design patents, 12 utility patents, 2 invention patent, in October 2009, the Group was awarded the "[New and High Technology Enterprise](#)" by Fujian Provincial Government. In 2011, the group successful acquired 3 new subsidiaries and a plot of commercial land in Xiamen to develop a headquarter.

PERFORMANCE BENCHMARKS AT A GLANCE

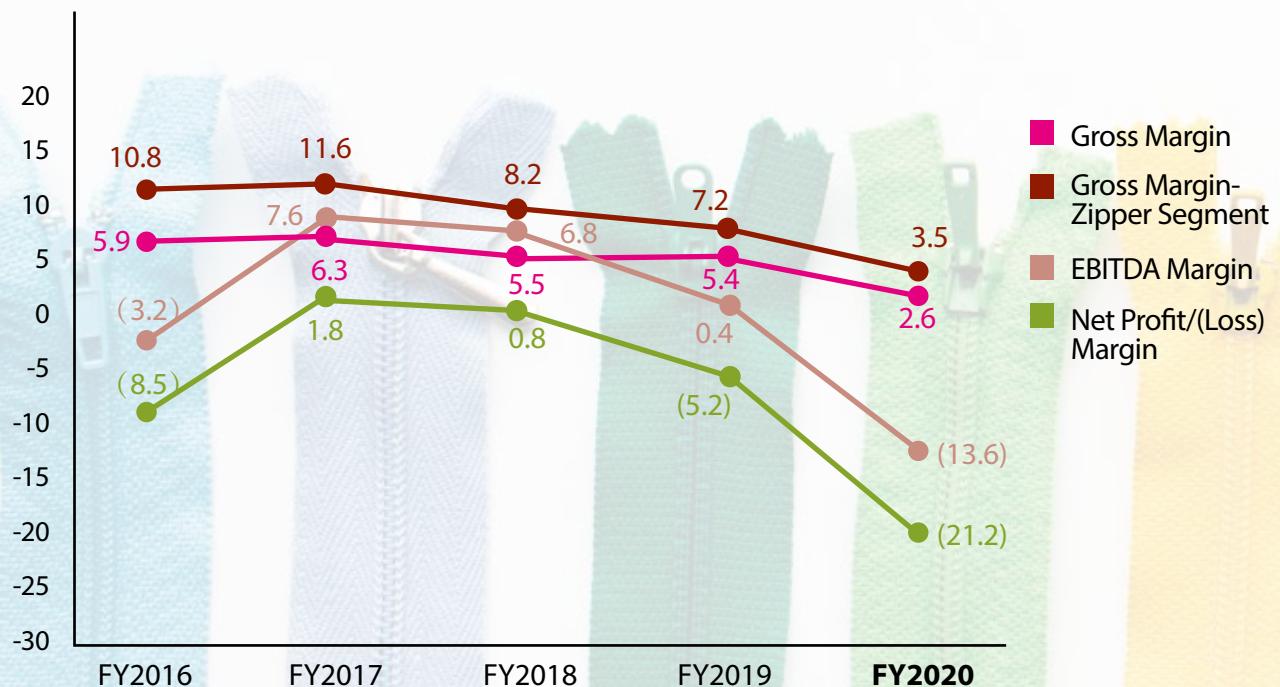
Revenue Breakdown

RMB'million



Margin Trends

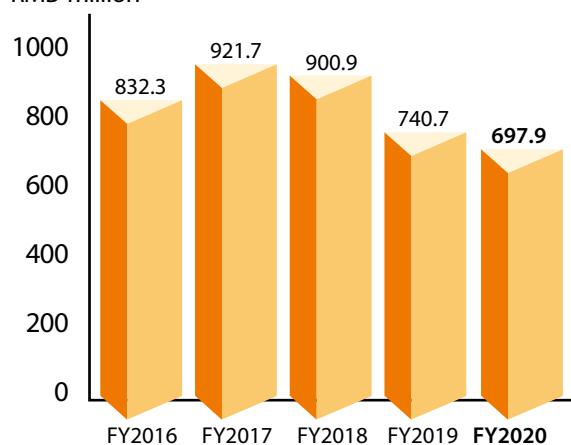
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PERFORMANCE BENCHMARKS AT A GLANCE

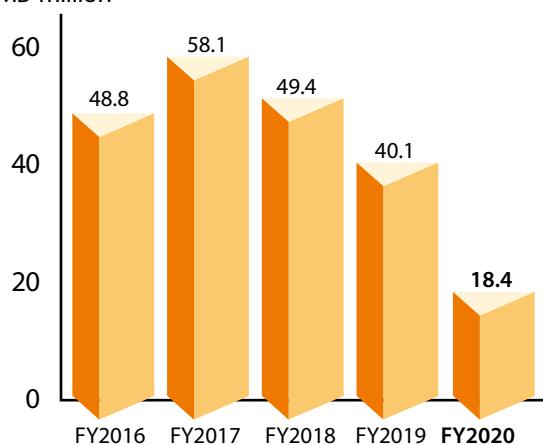
Revenue

RMB' million



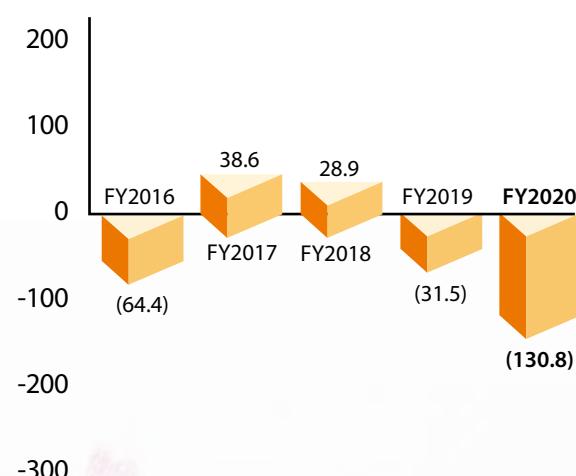
Gross Profit

RMB' million



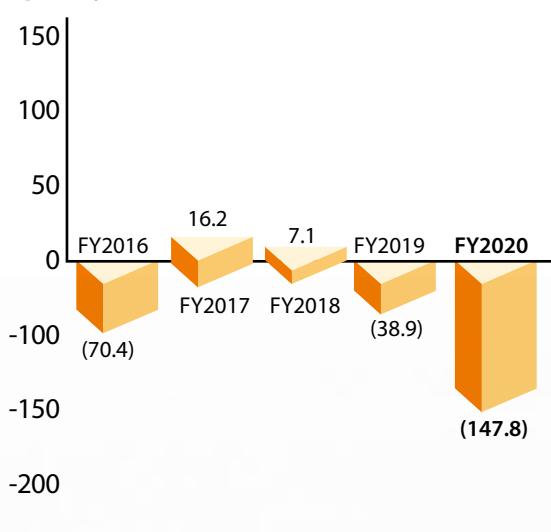
Profit/(Loss)from Operations

RMB' million



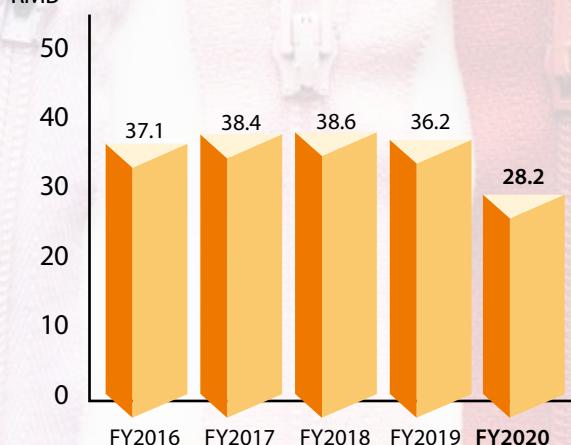
Net Profit/(Loss)

RMB' million



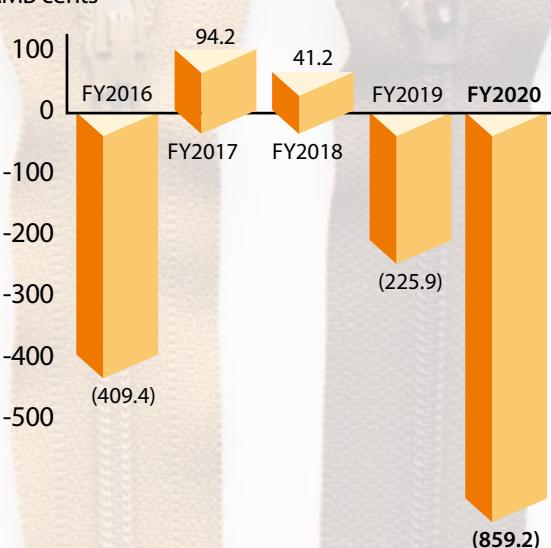
NAV Per Share

RMB



Earnings/(Loss) Per Share

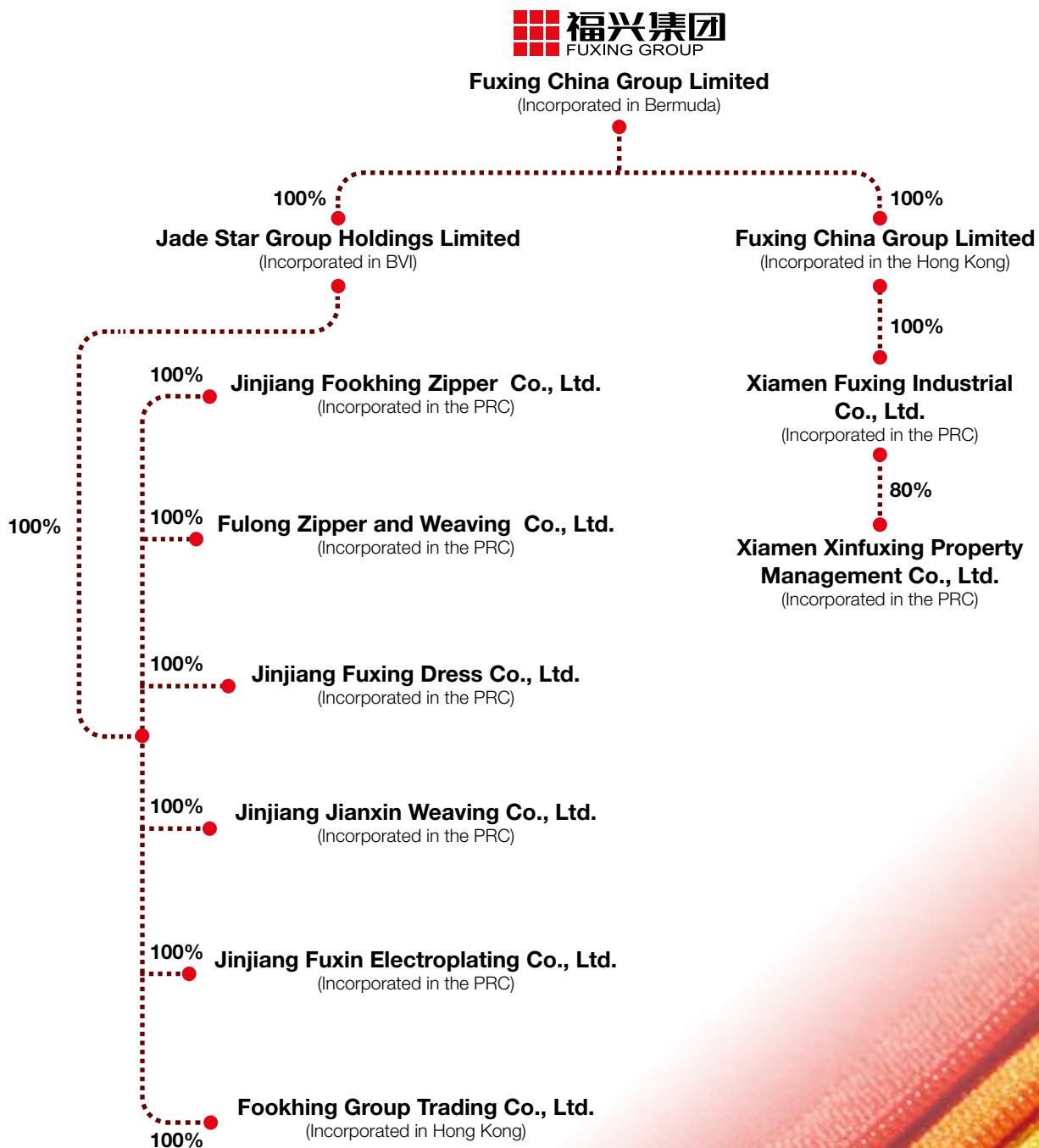
RMB cents



5 YEARS FINANCIAL SUMMARY

GROUP BALANCE SHEET	2020	2019	2018	2017	2016
As At 31 December (RMB'000)					
Property, plant and equipment	211,073	265,553	265,324	262,571	241,313
Other non-current assets	26,027	500,013	538,338	528,357	506,177
Current assets	644,846	456,016	487,274	631,270	691,470
Current liabilities	(378,930)	(576,221)	(595,560)	(732,621)	(778,592)
Net current assets	265,916	(120,205)	(108,286)	(101,351)	(87,122)
Non-current liabilities	(18,292)	(22,469)	(31,555)	(28,400)	(22,442)
Share capital	772,574	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)	(6,408)
Reserves	(281,891)	(143,666)	(102,478)	(104,989)	(128,240)
Total equity	484,275	622,500	663,688	661,177	637,926
GROUP PROFIT & LOSS					
Year Ended (RMB'000)					
Revenue	697,908	740,704	900,948	921,669	832,346
Gross profit	18,398	40,124	49,395	58,137	48,815
Other operating income	6,503	23,187	33,798	31,122	25,285
Earnings before interest, tax, depreciation & amortisation (EBITDA)	(95,095)	3,304	61,650	70,030	(26,998)
Depreciation and amortisation	(34,594)	(34,182)	(32,050)	(30,363)	(35,405)
Interest expense	(12,825)	(14,964)	(16,547)	(14,229)	(14,176)
(Loss)/Profit from operations	(130,760)	(31,534)	28,908	38,632	(64,446)
(Loss)/Profit before income tax	(142,514)	(45,842)	13,053	25,438	(76,579)
Income tax credit/(expense)	(5,307)	6,983	(5,969)	(9,224)	6,142
(Loss)/Profit for the year	(147,821)	(38,859)	7,084	16,214	(70,437)
ANALYSIS (%)					
Year					
Gross profit margin-zipper segment	3.5%	7.2%	8.2%	11.6%	10.8%
Gross profit margin	2.6%	5.4%	5.5%	6.3%	5.9%
PBT margin	(20.4%)	(6.2%)	1.4%	2.8%	(9.2%)
Revenue growth	(5.8%)	(17.8%)	(2.2%)	10.7%	18.6%
Operating profit growth	(314.7%)	NM	(25.2%)	NM	NM
Net profit growth	(280.4%)	NM	(56.3%)	NM	NM
Note:					
NM: Not meaningful.					
PER SHARE DATA					
(RMB cents, unless otherwise stated)					
Earnings/(Loss) (basic and fully diluted)	(859.2)	(225.9)	41.2	94.2	(409.4)
Net asset value	2,817.3	3,620.3	3,858.2	3,842.8	3,707.8
Number of shares used in the above computation ('000) ⁽¹⁾	17,205	17,205	17,205	17,205	17,205
Notes:					
(1) Number of shares were calculated on weighted average.					
FINANCIAL RATIOS					
Current ratio (times)	1.7	0.8	0.8	0.9	0.9
Acid-test ratio	1.6	0.7	0.7	0.8	0.8
Average receivable turnover (days)	116	116	100	100	114
Average payables turnover (days)	4	3	3	3	4
Average inventory turnover (times)	21	29	27	24	27
Return on equity (%)	(30.5%)	(6.2%)	1.1%	2.5%	(11.0%)
Return on assets employed (%)	(16.8%)	(3.2%)	0.5%	1.1%	(4.9%)
Debt/Equity ratio	30.9%	43.6%	33.4%	49.4%	56.6%
Interest cover (times)	(10.11)	(2.06)	1.79	2.79	(4.40)

GROUP STRUCTURE



CHAIRMAN'S MESSAGE



Dear Valued Shareholders,

On behalf of the Board of Directors, I hereby present the results of Fuxing China Group Limited ("Fuxing" or together with its subsidiaries, the "Group") for the financial year ended 31 December 2020 ("FY2020").

The past year has been the most challenging and tough year for the Group as it continued to operate under a highly competitive environment with razor thin profit margins and the outbreak of the COVID-19 pandemic in the People's Republic of China ("PRC") and other countries further exacerbated the tough and challenging operating environment for the Group. During the year, the Group divested in part its non-core investment property, an office building in Xiamen City, Fujian Province, PRC. As there has been increase in the supply of commercial office space in Xiamen City and amid economic uncertainties arising from the COVID-19 pandemic, leasing demand is expected to continue to weaken and further depress the prices of commercial office buildings in Xiamen City. As such, the Group decided to dispose part of the office building at a consideration higher than current market value and avoid being exposed to potential declines in the market value of the office building in the next few years. Post disposal, the Group's working capital position has improved and its gearing ratio lowered which enable the Group to be in a stronger financial position to face future economic challenges and headwinds arising from a more uncertain business environment post COVID-19.

Review of Financial Performance

The Group's revenue decreased by RMB42.8 million (or 6%) to RMB697.9 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB12.1 million), the Trading segment (RMB22.7 million) and the Processing segment (RMB8.0 million). The decrease in revenue in the Zipper segment and the Processing segment were mainly due to the COVID-19 pandemic which adversely affected the global economy. This had resulted in the decrease of sales order from customers.

The Group's gross profit decreased by RMB21.7 million (or 54%) to RMB18.4 million. The decrease was due to the decrease in gross profit from all the three business segments. Average gross profit margin decreased by 2.8 percentage point to 2.6% mainly due to the decrease in gross profit margin from the Zipper segment arising from the decrease in the selling prices. As a result of the COVID-19 pandemic, some of the Group's PRC customers were facing a more challenging business environment than before and had requested for bigger price reductions. The Group had obliged in order to retain these customers.

Other income decreased by RMB16.7 million from RMB23.2 million in FY2019 to RMB6.5 million in FY2020 mainly due to the decrease in rental income derived from the office building in Xiamen as the result of government mandated rental waivers granted to office tenants amidst the challenging times during the COVID-19 pandemic.

Other expenses increased by RMB34.3 million from RMB37.6 million in FY2019 to RMB71.9 million. This was mainly due to loss on disposal of assets held for sale of RMB19.4 million recognised at the time of completion of the disposal and sales of all units of the office building at Xiamen, impairment loss on property, plant and equipment of RMB3.2 million and net foreign exchange loss of RMB10.8 million mainly due to translation of HK dollar denominated balances owing from subsidiaries in the Company's book to RMB.

Selling and distribution expenses increased by RMB0.4 million (or 6%) to RMB6.3 million mainly due to increase in transportation costs incurred for shipments of the goods. As a result of the COVID-19 outbreak, additional costs had to be incurred to rent new shipping containers to ship out the goods.

General and administrative expenses increased by RMB26.2 million (or 51%) to RMB77.5 million. This was mainly due to the increase in allowance for doubtful debts and increase in provision for social security contribution. The allowance for doubtful trade receivables increased by RMB23.0 million to RMB28.6 million

CHAIRMAN'S MESSAGE

arose from longer credit period requested by some of the Group's PRC customers due to the challenging business environment faced by them. Provision for social security contribution represented the under-provision of social security contributions in FY2020 and FY2019 whereby the Group had made a more detailed computation of the provision. The significant increase was mainly because the local government allowed the Group to defer the payment of social security contributions.

Financial costs decreased by RMB2.1 million to RMB12.8 million. This was mainly due to the repayment of short-term bank loans in 2H2020.

Interest income increased by RMB0.4 million (or 63%) to RMB1.1 million was mainly due to the increase in cash and bank balance after the receipt of disposal proceeds of the office building in Xiamen.

As a result of the above mentioned factors, the Group recorded a loss after tax of RMB147.8 million for the year.

Review of Financial Position

As at 31 December 2020, non-current assets amounted to RMB237.1 million comprising property, plant and equipment and land use rights.

The Group's property, plant and equipment amounted to RMB211.1 million, a decrease of 21% (or RMB54.5 million) compared to RMB265.6 million as at 31 December 2019. The decrease was mainly due to the reclassification of 24th floor of the office building under property, plant and equipment to properties held for sale as a result of the Company's intention to dispose part of its office building within a year. The 24th floor was originally intended for the Group's own usage, thus the value was classified under "Property, plant and equipment". Upon receiving buyers' interests for the 24th floor, the Group decided to also sell the 24th floor.

The investment property was reclassified to properties held for sale under current asset. Assets classified as held for sale represent units in the aforementioned office building following the commitment of the Group to sell the property. As at 31 December 2020, the Group had completed the disposal of certain units of the property while the remaining units are expected to be sold within the next twelve months.

The prepayment balance as at 31 December 2020 represented the deposit paid for purchase of machineries. During FY2020, the Company entered into an agreement for purchase of machineries to automate the production process of zippers.

As at 31 December 2020, current assets amounted to RMB644.8 million, an increase of 41% (or RMB188.8 million) compared to RMB456.0 million as at 31 December 2019. This was largely due to an increase in properties held for sale, advances to suppliers, cash and bank balances.

Properties held for sale represented the remaining office units in the lower floors of level 2 to 4 in Xiamen HQ. Under SFRS(I)5 "Non-current Assets Held for Sale and Discontinued Operations", the remaining office units in Xiamen HQ are available for sale upon receipt of buyers' offers.

The increase in advances to suppliers was mainly due to suppliers' requirements of full payments to be made before delivery of raw materials to the Company especially after COVID-19 outbreak whereby the supply of raw materials was not stable and had to be secured in advance.

Cash and short term deposits increased from RMB87.5 million to RMB197.3 million after completion of the disposal of the office building in Xiamen.

As at 31 December 2020, total current liabilities were RMB378.9 million, a decrease of 34% (or RMB197.3 million) compared to RMB576.2 million as at 31 December 2019. This was mainly attributable to the decrease in bills payable to banks, short-term bank loans, amount due to a director, other payables and accruals. The increase was partially offset by the increase in trade payables.

The decrease in other payables and accrual was mainly due to deposits received from the purchasers of office building in Xiamen were recognised at the time of completion of disposal.

The short-term bank loans decreased by RMB121.5 million was mainly due to the utilisation of disposal proceeds to repay short-term bank loans after the completion of the disposal of office building in Xiamen.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the payment of the Company's professional fees and expenses. The decrease in amount due to Mr Hong Qing Liang was due to the repayments made to him in FY2020.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The decrease in deferred tax liabilities was mainly due to the deferred tax credit in FY2020.

CHAIRMAN'S MESSAGE



Review of Cash Flows

Operating activities

Net cash flows used in operating activities in FY2020 amounted to RMB91.4 million while net cash flows generated from operating activities in FY2019 amounted to RMB62.1 million. This was mainly due to the increase in trade and other receivables and advances to suppliers and the decrease in other payables and repayment of amount due to director.

Investing activities

Net cash flows generated from investing activities in FY2020 amounted to RMB351.5 million while net cash flows used in investing activities in FY2019 amounted to RMB35.2 million. This was mainly due to the sale proceeds received from the purchasers for the disposal of the office building in Xiamen.

Financing activities

Net cash flows used in financing activities in FY2020 and FY2019 amounted to RMB126.9 million and RMB23.2 million respectively mainly as the result of the higher net repayments of short-term bank loans in FY2020 as compared to FY2019.

Outlook

The Group expects the zipper industry in the PRC to remain highly challenging and competitive, and rising factory overheads and labour costs will continue to exert downward pressures on the performance of the Group and its prospects in the near term. For

the next few years, the Group is automating its manufacturing process progressively to mitigate the above mentioned cost pressures. The Group intends to sharpen its competitive edge with automation and improve the quality of its zippers so that the Group is able to secure higher margin sales orders from new customer segments and improve its profitability. In addition, the Group will also continue to keep a tight rein over its operating costs and monitor its receivables and collections closely.

In Appreciation

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our customers, suppliers and business partners for their continuous trust and support over the years. I also would like to thank our fellow Directors for their valuable advices and contributions to the Group.

Last but not least, I want to thank Management and staff of the Group for their efforts and hard work over the past year; as well as our shareholders, for their continued support and belief in the Group.

Mr Hong Qing Liang

Executive Chairman and Chief Executive Officer
April 2021

SUSTAINABILITY REPORT

This is a summary of the Company's Sustainability Report for FY2020. The Company considers sustainability issues as part of its strategic formulation. It adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall strategy to ensure that the best interests of the Company are served. The Company is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in setting its business strategies and operations.

The ESG factors to be disclosed in our report are as follows:

- Economic Performance
- Anti-Corruption
- Procurement Practices
- Materials
- Environmental Compliance
- Employment
- Occupational Health and Safety
- Training and Education

More details and information will be available in the full Sustainability Report that will be published by end May 2021.



BOARD OF DIRECTORS

Mr Hong Qing Liang

Executive Director and
Chief Executive Officer

Mr Hong Qing Liang is the Group's Co-Founder and Chief Executive Officer, and was appointed to the Board on 19 December 2006, and last re-elected on 24 April 2019. Since co-founding our Group in 1992, he has played an instrumental role in managing the business, operations and strategic directions of the Group. His responsibilities include formulating and executing our Group's business strategies and policies. He possesses substantial experience and knowledge of the zipper industry, having been involved with the zipper business for over 20 years. Prior to this, he was running his own zipper trading business. In 2000, Mr Hong was named the Honorable Chairman of Zipper Industry Association of Fujian Province. Subsequently in 2003, he was also appointed the Vice Chairman of the Foreign Investment Enterprise Association of LongHu Town, Jinjiang City, Vice Chairman of Chamber of Commerce of Long Hu Town, Jinjiang City and Chairman of the Zipper Hardware Industry Association of Long Hu Town, Jinjiang City.

Present directorship in other listed companies

- Nil

Past directorship in other listed companies held over the preceding three years

- Nil

Mr Hong Peng You

Director of Administration

Mr Hong Peng You is the Group's Director of Administration, and was appointed to the Board on 19 December 2006, and last re-elected on 3 June 2020. He is responsible for all administration matters in the Group. Mr Hong started his career in 1990 in the finance department of Fujian Fu Lian Zhi Zao Co., Ltd till 1993. From January 1994 to December 2003, he took on the position of the Section Chief in the Group's finance department. He later assumed the position of Financial Manager in the Group in 2004 and was subsequently appointed as Deputy General Manager in 2005 and took charge of all finance and administration matters. Mr Hong graduated from Quanzhou Liming University with an education certificate in accounting in July 1990. He also obtained an education certificate in accounting from Wuhan Technological University in July 2005, as well as a degree certificate in business administration in January 2008. He was awarded China Famous

Accountant by World Specialty International Center in 2001 and Senior Finance Manager by China Enterprises Association in 2005. He is a registered accountant with Jinjiang City Finance Bureau and a senior tax planner.

Present directorship in other listed companies

- Nil

Past directorship in other listed companies held over the preceding three years

- Nil

Dr Ho Kah Leong

Lead Independent Director

Dr Ho Kah Leong is the Group's Lead Independent Director and was appointed to the Board on 3 August 2007, and last re-elected on 24 April 2019. Dr Ho is also an Independent Director of KOP Ltd, a company listed on the SGX-ST. Dr Ho retired as an Independent Director of Vicom Ltd on 29 April 2017. Dr Ho also served on Board of Superbowl Holdings Ltd and Brothers Holdings Ltd in 2011 and 2012, these companies were previously listed on the SGX-ST. Prior to that, Dr Ho served in various capacities in the Singapore government. His last appointment was Senior Parliamentary Secretary to the Minister for the Environment from 1994 to early 1997. From 1997 to 2003, Dr Ho was appointed the Principal of Nanyang Academy of Fine Arts (NAFA) where he was responsible for the promotion of arts education and the building of new NAFA campus. After he completed his mission at NAFA, he took on the position of Executive Director of NAFA International Pte. Ltd. from 2003 to 2005, where he coordinated the company's business expansion plans abroad. He graduated from Nanyang University, Singapore with a Bachelor of Science degree in 1963 and was conferred an honorary doctorate degree by Wisconsin International University, USA in 2001.

Present directorships in other listed companies / other Principal Commitments

- KOP Limited
- Director of Pioneer & Leaders (M) Sdn Bhd

Past directorship in other listed companies held over the preceding three years

- Vicom Ltd

BOARD OF DIRECTORS

Mr Lim Cheng Kee

Independent Director

Mr Lim Cheng Kee is the Group's Independent Director and was appointed to the Board on 23 May 2014 and last re-elected on 3 June 2020. He has 30 years of working experience in the banking industry from 1978 to 2008. They included 10 years at Industrial & Commercial Bank Limited, 4 years at Security Pacific National Bank, 3 years at The Nikko Merchant Bank (Singapore) Limited and 13 years at Agricultural Bank of China, Singapore Branch as Head of Finance and Operations. Mr Lim was responsible for the accounting, financial management, taxation, compliance and other operational functions of the banks. Mr Lim retired from the Agricultural Bank of China, Singapore Branch in June 2008. His present other principal commitment is an adviser of an investment company. Mr Lim graduated with a Bachelor of Commerce (Accountancy) from the former Nanyang University in 1978 and is a Fellow of the Institute of Chartered Accountants of Singapore.

Present directorships in other listed companies / other Principal Commitments

- Adviser of Westgasoil Pte Ltd

Past directorship in other listed companies held over the preceding three years

- Fujian Zhenyun Plastics Industry Limited
- P99 Holdings Limited

Mr Qiu Qing Yuan

Independent Director

Mr Qiu Qing Yuan is the Group's Independent Director and was appointed to the Board on 3 August 2007. He was last re-elected on 24 April 2019. Mr Qiu's present other principal commitment is the Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd, where he is responsible for the external investment as well as the management and supervision of the company's joint ventures. Prior to this, Mr Qiu served as Deputy General Manager for Shandong Weifang Yaxing Chemical Co., Ltd, a Shanghai Stock Exchange-listed company from 2006 to January 2009. Mr Qiu started his career as an accountant in the Fujian Foreign Trading Centre Holdings from July 1986 to January 1993. Subsequently, he joined Hong Kong Gainmen Development Co., Ltd as a Deputy Finance Manager till October 1996. From November 1996 to January 2003, Mr Qiu was the Finance Manager of Hong Kong Keen Yield International Investment Co.,Ltd. where he was responsible for the finance and business of relevant subsidiary companies. From February 2003 to February 2006, Mr Qiu was appointed the Departmental Head of Fujian Foreign Trading Centre Holdings where he was in charge of the import and export trading business of the company. Mr Qiu graduated from the University of International Business and Economics in PRC in July 1991 with an education certificate for foreign trade.

Present directorship in other listed companies / other Principal Commitments

- Vice General Manager of Xiamen Xianxin Investment Group Co. Ltd

Past directorship in other listed companies held over the preceding three years

- Nil



KEY MANAGEMENT

Mr Hong Shui Ku

Chief of Operations

Mr Hong Shui Ku is the Group's Chief of Operations. He was the Group's Executive Director from 11 May 2011 till 18 March 2019 whereby he relinquished his position as Executive Director to focus on his existing management role in operations.

He has a wealth of practical experience in the zipper business, having been in the zipper trade since 1980. He joined the Group in 1993 and is responsible for assisting the Board in overseeing the overall operations and Management in the Group. Prior to joining the Group, Mr Hong was engaged in zipper trading operations from 1980 till 1992. Mr Hong graduated from Ying Lin High School, Jinjiang City, Fujian Province, the PRC in 1979.

Mr Hong Shao Lin

General Manager

Mr Hong Shao Lin is our General Manager. Mr Hong joined our Group's Purchasing Department in 2009 as Executive officer. In 2011, he was promoted to the Purchasing Manager. In April 2013, he was re-designated as General Manager of our Group, responsible for overseeing operations, production, purchasing and sales function of our Group. His expertise lies in production and purchasing cost control, financial analysis, enterprise budget management system execution. He possesses strong organisation, implementation and communication skills. Mr Hong is the son of the Company's Executive Chairman/Chief Executive Officer, Mr Hong Qing Liang.

He graduated from Huaqiao University with a Bachelor in Economic Management Degree.

Mr Ye Mu Gui

Production Manager

Mr Ye Mu Gui is our Production Manager. He joined our Group in February 1995. He has 25 years of experience in the zipper industry. He is now responsible for overseeing the technical and production process.

Mr Zhang Shang Lian

Sales and Marketing Manager

Mr Zhang Shang Lian is our Sales and Marketing Manager. He joined our Group in October 2009. He is now responsible for our Group's sales and marketing operations, as well as after sales services. Prior to this, Mr Zhang Shang Lian served as a Sales Manager in HuaCheng Commercial and Trading Co., Ltd.

Mr Lei Zhen Min

Human Resource Manager

Mr Lei Zhen Min is our Human Resource manager. He joined our Group in 2014 and is responsible for the Group's human resources policies, programs, and practices. He graduated from Fujian engineering college and Fujian Agriculture and Forestry University. He has worked in several large companies and enterprise groups in different industries, i.e in Fujian Electronic Information Group and Shandong Laiwu Zhonglian Shangding Real Estate Development Co., LTD as the office department head. He has also worked in Zhejiang Puledi Culture Communication Co., LTD., as the human resources department head and also the executive president of Business schools.

Mr James Ma Chor Lung

Chief Financial Officer

Mr James Ma is our Chief Financial Officer. He joined our Group in 2008 and is responsible for overseeing the finance, budget and internal control of the Group. He has close to 17 years of experience in the financial industry. Mr Ma started his career as a staff accountant at CK Yau & Company in 2001. In June 2004, he joined Morison Heng, Certified Public Accounts as an Audit Semi-Senior. In 2005, he joined Horwath Hong Kong CPA Limited and held the position of a Senior Associate. In June 2006, he took on the position of an assistant manager at Grant Thornton, CPA. Subsequently, he joined Shu Lun Pan Horwath Hong Kong CPA Limited in January 2008 where he was appointed Manager. Mr Ma graduated from Curtin University of Technology with a Master in Accounting degree.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors (the “Board”) of Fuxing China Group Limited (the “Company”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the “Group”). This report describes the corporate governance practices of the Group for the financial year ended 31 December 2020 (“FY2020”) with specific reference to the principles of the Code of Corporate Governance 2018 (the “Code”). The Board is pleased to report that for FY2020 the Group have complied in most of the material aspects with the principles and provisions set out in the Code, save for deviations or areas of non-compliance which are explained under the respective sections.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board is collectively responsible for the overall performance of the Group. It sets the Group’s values and standards and ensures that all Board members act objectively in discharging their duties and responsibilities at all times and in the interests of the Company for long-term performance and success of the Group. If there is any conflict of interest, Directors will voluntarily recuse themselves from all discussions and decisions involving the issues of conflict.

The Board has adopted internal control guidelines where appropriate delegation of authority has been given to Management to facilitate operational efficiency. Within these guidelines, the Board approves transactions that exceed certain pre-determined threshold.

Approval of the Board is required for any matters *inter alia* mergers and acquisition, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group’s half year and full year results announcements, interested person transactions of a material nature and those matters which are likely to have a material impact on the Group’s operating units and/or financial position as well as matters other than in the ordinary course of business. The Board believes that when taking decisions, all Directors of the Board act objectively in discharging their duties and responsibilities at all time as fiduciaries and in the interests of the Company.

The Board is supported by the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”), (collectively, “Board Committees”). Each Board Committees is chaired by an Independent Director and a majority of the members are Independent Directors. Functions of these Board Committees including their compositions, authorities and duties are clearly written in its terms of reference, which have been approved by the Board. The Board accepts that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas, the ultimate responsibility rest within the Board.

The Board conducts regular scheduled meetings at least four times a year. These meetings are scheduled in advance to facilitate the individual Directors’ planning in view of their on-going commitments. The Board will also meet as and when warranted by particular circumstances between the scheduled meetings. The Company’s Bye-Laws provide for meetings to be held via telephone, electronic or other communication facilities as permit all persons participating in the meetings to communicate with each other simultaneously and instantaneously.

All agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting with sufficient time for their review and consideration. Management is invited to attend the meetings to present information and/or render clarification when required. Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group’s operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

CORPORATE GOVERNANCE REPORT

The number of Board meetings and general meetings held during FY2020 and the attendance of each Board member at those meetings are disclosed as follows:

Meetings	Board	AC	NC	RC	General*
Total held in FY2020	4	4	1	2	2
Directors					
			No. of Meetings attended in FY2020		
Hong Qing Liang	2	3 [#]	0	1 [#]	2
Hong Peng You	4	3 [#]	N.A.	1 [#]	2
Dr Ho Kah Leong	4	4	1	2	2
Lim Cheng Kee	4	4	1	2	2
Qiu Qing Yuan	4	4	1	2	2

By invitation

* Annual General Meeting held on 3 June 2020 and Special General Meeting held on 18 November 2020

N.A. Not Applicable.

In FY2020, the Board was briefed in areas such as updates on Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), changes to accounting standards and regulatory developments. The Board is kept informed of the new updates regarding the amendments and requirements of the SGX-ST and other statutory and regulatory requirements from time to time. Relevant news release issued by SGX-ST are also circulated to the Board for information.

Directors are encouraged to receive regular training and participate in conferences, seminars or any training programme in connection with their duties to keep abreast of a dynamic business environment.

Newly appointed Directors are briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. They will also have the opportunity to visit the Group's operational facilities and to meet with the Management so as to gain a better understanding of the Group's business operations. For those who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo mandatory training pursuant to Listing Rule 201(5) (a) in the roles and responsibilities of a listed company director. Newly appointed Non-Executive Directors are provided with a letter of appointment setting out their duties, obligations and terms of appointment. On the other hand, Executive Directors are provided with a service agreement setting out their respective terms of office and terms and conditions of their appointment. No new Director was appointed during the year under review.

The Board has separate and independent access to Management, the Company Secretary and External Auditors as and when required to seek advices and obtain additional information to facilitate their decision making.

BOARD COMPOSITION AND GUIDANCE

Principle 2: *The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decision in the best interests of the company.*

The Board comprises of five (5) Directors, three (3) of whom are Independent Directors and two (2) are Executive Directors. The Independent Directors made up a majority of the Board.

CORPORATE GOVERNANCE REPORT

The composition of the Board is as follows:

Hong Qing Liang (Chairman and Chief Executive Officer ("CEO"))
Hong Peng You (Executive Director)
Dr Ho Kah Leong (Lead Independent Director)
Lim Cheng Kee (Independent Director)
Qiu Qing Yuan (Independent Director)

As a Group, the Directors bring with them a broad range of expertise and experience in areas such as accounting and finance, business and management experience, industry knowledge, strategic planning experience, human resource management, industry's customer-based marketing and manufacturing combined provides core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his calibre, experience, industry knowledge and expertise, grasp of corporate strategy and potential to contribute to the Company and its business. The diversity of the Directors' experience allows useful exchange of ideas and views during discussion.

Having assessed the size and composition of the Board and Board Committees, the NC, with the concurrence of the Board, is of the view that the current size and composition of the Board is adequate, taking into account of the scope of the Group's operations. Currently, there is no alternate director appointed.

Although the Company does not have a formal board diversity policy, due consideration will be given to the benefits of diversity. The size and composition of the Board and Board Committees are reviewed on an annual basis by the NC to ensure that it has an appropriate balance and mix of skills, knowledge, expertise and experience, gender, age and collectively possesses the necessary core competencies for effective functioning and informed decision making, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC strives to ensure that the size of the Board is conducive for discussions and facilitates effective decision making. The final decision on selection of directors will be based on merit against the objective criteria set.

Diversity will be considered in determining the optimum composition of the Board as a whole. The Board believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals from all backgrounds, skill-sets, life experiences, abilities and beliefs for better Board performance.

The Independent Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment for business activities and transactions involving conflict of interest and other complexities.

The Board assesses the independence of Independent Directors in accordance with the requirements of the Code to ensure appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Group. Under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company.

Independent Directors, led by the Lead Independent Director, are free to meet up without the presence of Management and feedback from such meetings would be provided to the Board and Chairman as appropriate.

Key information regarding the Directors is set out on pages 10 and 11 of this Annual Report.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.*

The roles of Chairman and CEO are currently held by Mr Hong Qing Liang. Although this is a deviation from the recommendation of the Code, the Board believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

In addition, in the People Republic of China (“PRC”), the CEO of a company normally assumes the role that of an Executive Chairman. As the Group’s business and operation are based in the PRC, Mr Hong Qing Liang’s dual roles as Executive Chairman and CEO will enable the Group to conduct its business efficiently and to ensure that the decision-making process of the Group would not be unnecessary hindered.

All major decisions made by the Executive Chairman cum CEO are reviewed by the Board. His performance and appointment to the Board are reviewed by the NC and his remuneration package is reviewed by the RC. Both of the NC and RC are chaired by Independent Directors. The Board believes that there are adequate safeguards and checks in place to ensure that decision making process by the Board is independent and based on collective decision making of the Directors without Mr Hong Qing Liang being able to exercise considerable concentration of power or influence.

As such, the Board will not consider segregating the role of the Chairman and CEO at this moment. The NC will review the need to separate the roles from time to time and make its recommendation to the Board when necessary.

As Chairman of the Board, Mr Hong Qing Liang bears responsibility for the effective working of the Board. He ensures that Board meetings held when necessary, sets the Board agenda and that Directors are provided with complete, adequate and timely information. As CEO, he is responsible for day-to-day management affairs of the Group. He also ensures that stipulated corporate policies are properly complied with.

Dr Ho Kah Leong was appointed as Lead Independent Director on 23 May 2014 to provide leadership in situations where the Chairman is conflicted. Dr Ho Kah Leong is available to shareholders where they have concerns or issues that unable to be appropriately dealt with by the Chairman, CEO or Chief Financial Officer (“CFO”). A separate email account has been set up for Dr Ho Kah Leong for the purpose of communication with the shareholders. Shareholders may contact the Lead Independent Director at drhokahleong@3fzipper.com when they have concerns and for which contact through normal channels with the Chairman and Management are inappropriate and inadequate.

BOARD MEMBERSHIP

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

The NC, regulated by a set of written terms of reference, comprises four (4) members, a majority of whom are Independent Directors. The Lead Independent Director, Dr Ho Kah Leong, is a member of the NC.

The members of the NC are:

Mr Qiu Qing Yuan (Chairman)
Dr Ho Kah Leong
Mr Lim Cheng Kee
Mr Hong Qing Liang

CORPORATE GOVERNANCE REPORT

The duties and responsibilities of the NC as provided in its terms of reference are as follows:

- (a) reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;
- (b) identifying and nominating candidates to fill Board vacancies as they occur;
- (c) recommending membership of the Board Committees to the Board;
- (d) determining annually the independence of the Directors, bearing in mind the circumstances set forth in the Code, Listing Rule of SGX-ST and any other salient factors;
- (e) evaluating Board's performance as a whole, Board Committees and individual Directors;
- (f) making recommendations to the Board on all Board appointments, re-appointments and re-elections to the Board (including alternate director, if any), depending on the Director's performance, commitment and his/her ability to continue contributing to the Board;
- (g) reviewing and evaluating whether a Director is able to and has been adequately carrying out his duties as a Director, particularly, when he has multiple board representations;
- (h) overseeing induction, orientation, training and professional development programmes for the Board and its Directors;
- (i) reviewing and ensuring there is clear division of responsibilities between the Chairman and CEO;
- (j) reviewing succession plans for the directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel ("KMP"); and
- (k) undertaking such other functions and duties as may be delegated by the Board.

For FY2020, the NC reviewed the Board composition, determined the independence of Directors, conducted Board, Board Committees' and Individual Directors' performance evaluation, reviewed Directors' commitments when they have multiple board representations and succession planning for the Chairman and CEO.

The NC has adopted a process for the selection and appointment of new Directors. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. External professional help or tagging on the Directors' network may be used to source for potential candidates. The curriculum vitae and other particulars or documents of the nominee or candidate will be given to NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his or her qualifications, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The NC will also meet with the potential candidate before making the nomination to the Board for appointment as Director.

The independence of each Director is reviewed annually by the NC with the recommendations set out in the Code. Dr Ho Kah Leong and Mr Qiu Qing Yuan had each served the Board for more than 9 years since their first appointment. The NC has conducted a rigorous review of their independence and considered Dr Ho Kah Leong and Mr Qiu Qing Yuan to be independent after having determined that they have no relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the Company. Dr Ho Kah Leong and Mr Qiu Qing Yuan have throughout their appointment, demonstrated strong independence in character and judgement in the discharge of their duties and responsibilities as directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively challenged Management on business decisions with a view to the best interests of the Group.

CORPORATE GOVERNANCE REPORT

Having considered the above, the NC has determined that Dr Ho Kah Leong and Mr Qiu Qing Yuan's tenure has not affected their independence and judgement in discharging their duties as a member of the Board. The NC has recommended to the Board that Dr Ho Kah Leong and Mr Qiu Qing Yuan continue to be considered as independent, notwithstanding they have served on the Board for more than nine (9) years since their first appointment. The Board concurred with NC's assessment.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Rules requires re-election of an independent director who has been a director on the Board for an aggregate period of nine (9) years to be approved in a separate resolutions by (i) all shareholders; and (ii) all shareholders excluding the Directors or CEO of the Company, and their respective associates (as defined in the Listing Rule). The Company will be tabling the independence of Dr Ho Kah Leong and Mr Qiu Qing Yuan pursuant to Listing Rule 210(5)(d)(iii) at the forthcoming Annual General Meeting ("AGM").

Each of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan abstained from discussion and voting in respect of their independence.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations. In view of this, the NC having considered the confirmations received from Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan, concluded that such multiple Board representations do not hinder each Director from carrying out his duties as a Director of the Company. In consultation with the NC, the Board has prescribed that each Independent Director should not hold more than five (5) directorships in other public listed companies. The NC had reviewed and was satisfied that no Independent Director had exceeded the maximum limit of listed company board representations in FY2020 and that each Director has given sufficient time and attention to the affairs of the Group and has been able to diligently discharged his duties as a Director of the Company.

In accordance with Bye-Law 86 of the Company's Bye-Laws, each Director is required to retire at least once in every three (3) years and under Bye-Law 85(6), all newly appointed Directors will have to retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

Dr Ho Kah Leong and Mr Qiu Qing Yuan will be retiring by rotation pursuant to the Company's Bye-Law 86 at the forthcoming AGM and being eligible, will be offering themselves for re-election. All the retiring Directors signified their consents for re-election.

Information regarding the Directors nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Rule of the SGX-ST is given under pages 28 to 30 of the Annual Report.

BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The Board has, through the NC, adopted a process to evaluate the effectiveness of the Board as a whole, each Board Committees separately and individual Directors. The evaluations are carried out by means of completing the relevant questionnaire forms by each Director on an annual basis and the results will be collated by the Company Secretary to be presented to the NC. The findings from the evaluations were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and Board Committees.

The Board and Board Committees' evaluation cover amongst others, size and composition of the Board and Board Committees, the accessibility of the Board to information, Board and Board Committees processes and accountability in relation to discharging its principal responsibilities and standards of conduct of the Board members.

CORPORATE GOVERNANCE REPORT

Individual Directors' assessment was also conducted in FY2020 whereby each Director was evaluated on his contributions to the Board, initiative, knowledge of senior management's job scope and Group's business, leadership and the support that he lends to Management in steering the Group.

For FY2020, the NC is generally satisfied with the Board, Board Committees and Individual Directors performance evaluation results which indicated areas of strengths and those that could be improved further. No significant issues had been identified. The NC had discussed the results with Board members who agreed to work on area that could be improved further.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The RC, regulated by a set of written terms of reference, comprises three (3) Independent Directors.

The members of the RC are:

Mr Lim Cheng Kee (Chairman)

Dr Ho Kah Leong

Mr Qiu Qing Yuan

The duties and responsibilities of the RC as provided in its terms of reference are as follows:

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and KMP and to recommend to the Board the specific remuneration packages and terms of employment for:
 - each Director and KMP of the Group;
 - employees related to Directors, CEO or controlling shareholders of the Group;
 - reviewing Directors' fees, which are subject to shareholders' approval at the AGM; and
 - the service contracts of the CEO and Executive Directors. In the event of termination of Executive Directors and KMP's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- (b) reviewing all aspects of remuneration, including terminating terms, to ensure they are fair;
- (c) recommending to the Board long-term initiative schemes which may be set up from time to time; and
- (d) undertaking such other functions and duties as may be delegated by the Board.

The RC has access to expert professional advice if there is a need to consult externally taking in consideration of the industry's practices and norms in determining compensation. No external consultant was engaged in FY2020.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The remuneration packages are set adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions such that it is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and KMP to successfully manage the Company for long term. The remuneration policy adopted takes into account the individual's responsibilities, skills, expertise as well as the Group's performance.

The Executive Directors' respective service agreements have an automatic one-year renewal clause (unless otherwise terminated by either party giving not less than three months' notice to the other), and comprise a salary and a performance bonus. The performance bonus of the Executive Directors is linked to the Group's performance which will be reviewed by the RC before submission to the Board for approval. As the Executive Directors are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, there are no "claw back" provisions in their service agreements. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

The RC will carry out an annual review of the remuneration packages of the Executive Directors and KMP to ensure that a significant and appropriate proportion of their remuneration is structured so as to link rewards to corporate and individual performance, giving due regard to the financial health and business needs of the Group, and align with the interest of the shareholders and other stakeholders and promote long term success of the Group.

The RC after having reviewed, is satisfied with the remuneration packages of the Executive Directors and KMP and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly.

None of the Non-Executive Directors has service contracts or consultancy arrangements with the Group. They are paid Directors' fees based in a structured fee framework reflecting the level of contribution, taking into account factors such as effort, time spent and responsibilities of the Directors. The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate and each Executive Director is paid a Board fee.

In light of the challenging business environment amid the COVID-19 pandemic and taking into consideration the Group's operation and performance, the RC has recommended to the Board to maintain the same amount of S\$95,232 as Directors' fees for financial year ending 31 December 2021, payable half-yearly in arrears (2020: S\$95,232). The recommendation has been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval.

Each of the Directors is to abstain from voting in respect of their own remuneration. Each of Mr Lim Cheng Kee, Dr Ho Kah Leong and Mr Qiu Qing Yuan being the RC members, abstained from deliberation and voting in respect of their own remuneration.

Presently, the Company does not have any share option or long-term incentive scheme in place.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The breakdown of each individual Director's remuneration for FY2020 is as follows:

Name of Directors	Salary	Bonus	Director's fees	Other benefits	Total	Total remuneration (\$'000)
Executive Chairman and CEO						
Hong Qing Liang	98%	-	2%	-	100%	219
Executive Director						
Hong Peng You	84%	-	16%	-	100%	27
Independent Directors						
Dr Ho Kah Leong	-	-	100%	-	100%	35
Lim Cheng Kee	-	-	100%	-	100%	33
Qiu Qing Yuan	-	-	100%	-	100%	19

Details of remuneration paid to top five (5) KMP of the Group (who are not Directors or the CEO) for FY2020 are set out below:

Name of KMP	Salary	Bonus	Other benefits	Total
Below S\$250,000				
Hong Shui Ku - Chief of Operations	100%	-	-	100%
James Ma - CFO	100%	-	-	100%
Hong Shao Lin - General Manager	100%	-	-	100%
Ye Mu Gui - Production Manager	100%	-	-	100%
Zhang Shang Lian - Sales and Marketing Manager	100%	-	-	100%

The aggregate remuneration paid to the top five (5) KMP (who are not Directors or the CEO) for FY2020 was S\$274,942.

There are no termination, retirement and post-employment benefits that may be granted to the CEO, the Directors and the top five (5) KMP (who are not Directors or the CEO).

Employees who are immediate family members of a Director, the CEO or controlling shareholders during the year under review are as follows:

- (i) Mr Hong Shao Lin, son of Mr Hong Qing Liang (Chairman of the Board and CEO of the Company), who is employed as a General Manager of Jinjiang Fookhing Zipper Co. Ltd, a subsidiary of the Group;
- (ii) Ms Hong Yan Ru, daughter of Mr Hong Qing Liang, who is employed as an Investment Manager of the Group; and
- (iii) Madam Zeng Li Ming, spouse of Mr Hong Peng You (an Executive Director of the Company), is employed as an Administrator of the Group.

CORPORATE GOVERNANCE REPORT

None of the abovementioned employees' remuneration exceeded S\$100,000 during the year.

In view of commercially sensitivity and confidential nature of remuneration matters, the Board opined that it is in the best interest of the Group not to disclose the exact remuneration of KMP in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board has overall responsibility for the risk management and internal controls of the Group. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation to ensures that Management maintains a sound system of risk management and internal controls to safeguard the Group's assets and shareholders' interests.

The Board, assisted by the AC, evaluate the adequacy and effectiveness of the Group's internal controls and risk management system. The Group does not have a separate Risk Management Committee. In line with recommendations of the Code on internal controls and risk management, the Board has designated Mr Hong Shui Ku, the Chief of Operations of the Group to oversee the risk management of the Group.

The Group's Internal and External Auditors have, during the course of their respective audits, conducted an annual review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management policies and systems established by Management. Any non-compliance or weaknesses in internal controls recommended for improvements are reported to the AC. The AC will also review the effectiveness of the actions taken by Management on the recommendations made by the Internal and External Auditors and ensures that there are follow-up actions on the implementation. The adequacy and effectiveness of the internal financial control systems and procedures at present are monitored by Management.

The Board recognises that no internal controls system will preclude all error and irregularities as a system is designed to manage rather than eliminate the risk of failure to achieve business objects, and can provide only reasonable and not absolute assurance against material misstatement or loss.

For FY2020, the Group's Internal Auditors were also engaged to review the Group's business and operational activities and identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. On an annual basis, the Internal Auditors' report and the risk management report are presented to the AC on significant matters arising from the said review and counter measures to mitigate the identified risks potential risks. There were no material deficiencies arising from the review.

The Board has received written assurance from:

- (a) the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the reviews conducted by the Internal Auditors and External Auditors, written assurance of Management, the Board, with the concurrence of the AC, is of the opinion that the internal controls and risk management systems addressing financial, operational, compliance and information technology controls are adequate and effective.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 10: *The Board has an Audit Committee which discharges its duties objectively.*

The AC, regulated by a set of written terms of reference, comprises the following three (3) Independent Directors:

Dr Ho Kah Leong (Chairman)
Mr Lim Cheng Kee
Mr Qiu Qing Yuan

A majority of the AC members bring with them recent and relevant accounting or related financial management expertise or experience, which are appropriately qualified to discharge its duties objectively. In compliance with the Code, none of the AC members is a former partner of the Company's existing auditing firm.

The AC meets at least four (4) times a year and as and when deemed appropriate to carry out its functions as provided in its terms of reference:

- (a) reviews the half year and full year financial statements of the Group before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with statutory and regulatory requirements;
- (b) reviews with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulation, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's responses thereto;
- (c) reviews and approves the internal and external audit plans and results of their audits and recommendations as well as Management's responses thereto;
- (d) reviews the assistance given by Management to the Internal and External Auditors to facilitate their audits and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management at least once a year and where necessary);
- (e) reviews and approves the appointment or re-appointment of Internal and External Auditors and matters relating to resignation or dismissal of the auditors;
- (f) reviews interested person transactions;
- (g) reviews annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors annually;
- (h) reviews the effectiveness and adequacy of internal controls, including financial, operational, compliance and information technology controls and risk management system;
- (i) ensures that arrangements are in place for staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or, other matters;
- (j) reviews potential conflicts of interests, if any;
- (k) undertakes such other functions and duties as may be required by the statute or the Listing Rules of the SGX-ST.
- (l) meets with the External Auditors and Internal Auditors without the presence of Management to discuss the results of their findings and communicated with the internal auditors to discuss their evaluation of the Group's internal controls and risk management systems, set out in their respective reports;

CORPORATE GOVERNANCE REPORT

- (m) ascertains that both the Internal and External Auditors have had the full co-operation of Management in carrying out their audits of the Group. The External Auditors, Mazars LLP, have affirmed their independence in this respect. Audit services rendered by Mazars LLP amounted to S\$313,000. In FY2020, the Business and Risk Consulting division of Mazars LLP was engaged to assist in drafting the Sustainability Report for S\$12,000. Apart from the aforementioned, no other non-audit services were rendered by Mazars LLP;
- (n) keeps abreast of accounting standards and issues that could potentially impact financial reporting through updates and advice from the External Auditors;
- (o) ensures that Company had complied with Listing Rule 712 in relation to the appointment of a suitable auditing firm to meet its audit obligations. Mazars LLP, the appointed External Auditors of the Group, is registered with Accounting and Corporate Regulatory Authority and is an independent member of Mazars Group.

Together with the Audit Engagement Partner and his team assigned to the particular audit, the AC was satisfied that the resources and experience of Mazars LLP, the Audit Engagement Partner and his team assigned to the audit were adequate to meet their obligations, given the size, nature and operations of the Group;

- (p) ensures that the Company had complied with Listing Rule 715 in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, its significant foreign-incorporated subsidiaries;
- (q) reviews interested person transactions on a quarterly basis;
- (r) reviews the implementing process of the Company's sustainability report; and
- (s) reviews the whistle-blowing policy.

The AC has the explicit powers to conduct or authorise investigation into any of the abovementioned matters. The AC has full access to and co-operation by Management and also has full discretion to invite any Director or Management to attend its meetings as well as reasonable resources to enable it to discharge its duties and functions properly.

The AC, with the concurrence of the Board, had recommended the appointment of Mazars LLP as External Auditors of the Company at the forthcoming AGM.

In the review of the Group's FY2020 financial statements, the AC has discussed with the Management and the External Auditors on significant issues and assumptions that impact the financial statements. The significant financial reporting matters have also been identified and included in the Independent Auditors' Report to the shareholders of the Company under "Key Audit Matters".

The AC has reviewed the key audit matters and concurred with the audit procedures adopted by the External Auditors as well as Management's assessment, and is satisfied that the key audit matters have been appropriately dealt with.

The AC has also put in place a "whistle-blowing" policy on financial improprieties or other matters whereby staff of the Group and any other persons may raise in confidence and ensure that arrangements are in place of independent investigations of such matters and follow up actions. There were no whistle blowing incidents received in FY2020.

CORPORATE GOVERNANCE REPORT

The Group has outsourced its internal audit function to an external audit firm, Xiamen De Cheng Accounting Co. Ltd (“the Internal Auditor”), in the PRC. The AC approves the hiring, removal, evaluation and compensation of the accounting/auditing firm to which the internal audit function is outsourced. The Internal Auditor reports directly to the AC Chairman on internal audit matters and to the CEO on administrative matters. The role of the Internal Auditor is to assist the AC to ensure that the Group maintains a sound system of internal controls by regular monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The AC is of the view that the Internal Auditor has adequate resources to perform its functions and has, to the best of its ability, maintained its independence from the activities it audits. The AC will review the adequacy of the internal audit functions annually to ensure that the internal audit function is adequately resourced and is able to perform its function effectively.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

In line with its continuous disclosure obligations, the Group is committed to maintaining regular and proactive communication with shareholders. It is the Board's policy that the shareholders be informed of all major developments that impact the Group.

The Company is aware of its obligations to shareholders in providing information regarding any changes in the Group's business which would likely to materially affect the price or value of the Company's shares.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. The Company adheres to the requirements of the Listing Rules of the SGX-ST, all resolutions at the Company's shareholders' meetings are put to vote by poll. The detailed results showing the number of votes cast for and against each resolution are announced via SGXNet after the meetings. The minutes of the shareholders' meetings are available to shareholders upon their written request.

The Company does not have a formal dividend policy. The Company takes into account the Group's operating results, financial position, working capital requirements and any other relevant considerations as the Board may deem appropriate. No dividend was proposed by the Board for FY2020 as the Company was in a loss position.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company:*

The Company's principal forum of dialogue with shareholders takes place at its general meetings. Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. The notice of AGM or Special General Meeting (“SGM”) (as the case may be) is despatched to shareholders, together with explanatory notes, at least 14 days before the meeting. Each item on special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolutions. At the shareholders' meetings, shareholders are given the opportunity to voice their views and seek clarification on issues relating to the business as outlined in the meeting agenda.

CORPORATE GOVERNANCE REPORT

If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Report or Circular. The duly completed proxy form is required to be deposited at the Group's share transfer agent's office at least forty-eight (48) hours before the shareholders' meeting. The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

All Directors, including the Chairman of the Board and the respective Chairman of AC, RC and NC, as well as External Auditors will normally be present at the shareholders' meetings to address shareholders' queries.

The Company convened its AGM and SGM virtually in 2020 while adhering to the various advisories and guidance issued by the authorities on holding meetings amid the COVID-19 outbreak. Minutes of the AGM and SGM were published on SGXNet and the Company's website within one (1) month after the respective meeting.

As permitted under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("COVID-19 Temporary Measures Order"), the Company will convene its 2021 AGM by electronic means. In accordance with the COVID-19 Temporary Measures Order, the Company will put in place alternative arrangement relating to attendance at the 2021 AGM via electronic means including arrangements by which the meeting can be electronically accessed via live webcast or listening to live audio feed submission of questions in advance of the meeting, addressing the substantial and relevant questions at, or prior to, the meeting and voting by appointing the Chairman of the Meeting as proxy. Notice of 2021 AGM will be published electronically on SGXNet while hardcopies of the Depositor Proxy Forms were mailed out to all shareholders. The minutes of 2021 AGM will be published on SGXNet and the Company's website within one (1) month after the date of the meeting.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously at such meetings (if any). Results and annual reports are announced or issued within the mandatory period via SGXNet. The Company does not practice selective disclosure.

Shareholders are notified in advance of the date of release of the Group's financial results through announcement on SGXNet. Management also conducts regular briefings for shareholders, which will normally coincide with the release of the Group's financial results. During these briefings, Management will review the Group's performance as well as discuss the business outlook for the Group. However, briefings for shareholders were suspended in FY2020 as a precautionary measure due to the evolving COVID-19 situation.

During FY2020, information is communicated to the shareholders on a timely and non-selective basis through:

- (a) SGXNet releases on major developments of the Group;
- (b) half yearly and full year financial statements containing a summary of the financial information and affairs of the Group via SGXNet;
- (c) annual reports; and
- (d) notices and explanatory notes for shareholders' meetings

The Board embraces openness and transparency in the conduct of Company's affairs, whilst safeguarding its commercial interests. Although the Company does not have an investor relations policy, shareholders can still provide their enquiries and feedback to the Company via email feedback to oilinfxcg@gmail.com.

CORPORATE GOVERNANCE REPORT

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Board recognises the interests of other parties such as shareholders, guests, colleagues, and local community are essential as part of value creation for the Group to ensure business is sustainable. The Group has in place a process to identify the major stakeholders, their needs and effective communication channels to engage these stakeholders to strike a balance between its business and interests of its stakeholders. Effective stakeholder engagement would enhance better understanding on their needs and incorporate these into the Group's corporate strategy.

The Group's key focus areas during the reporting period are Economic Performance, Anti-Corruption, Procurement Practices, Materials, Employment, Training and Education, Environmental Compliance and Occupational Health and Safety.

The Group engages with the key stakeholders through various means. Details of the approach to stakeholder engagement would be provided in the Company's Sustainability Report to be released in May 2021.

The Company does not maintain a corporate website, stakeholders can reach out to the Company through email feedback to oilinfxcg@gmail.com.

(F) DEALINGS IN SECURITIES

The Group has revised its internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities and implications of insider trading in compliance with Rule 1207(19) of the SGX-ST Listing Manual. The Company, Directors and Officers are prohibited from dealing in securities of the Company two (2) weeks before the release of the quarterly results (whether on a voluntary basis or if so required to do so under the relevant Listing Rule); otherwise, it will be at least one (1) month before the release of the Company's half yearly and full year results, and at all times if the Directors and Officers are in possession of unpublished material price-sensitive information and on short term considerations.

(G) INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has established procedures to ensure that IPTs are reported in a timely manner to the AC, at its quarterly meeting, and such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. For the financial year reported on, there were no interested person transactions which exceeded the threshold limits set out under Chapter 9 of the Listing Manual of the SGX-ST and no announcement or shareholders' approval was therefore required.

(H) MATERIAL CONTRACTS

Save for the Service Agreements entered with the Executive Directors, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder for FY2020.

CORPORATE GOVERNANCE REPORT

Information on Directors nominated for re-election/re-appointment – Appendix 7.4.1 to the Listing Manual of the SGX-ST

Name of Director	Dr Ho Kah Leong (“Dr Ho”)	Mr Qiu Qing Yuan (“Mr Qiu”)
Date of Appointment	3 August 2007	3 August 2007
Date of last re-Appointment (if applicable)	24 April 2019	24 April 2019
Age	83	54
Country of principal residence	Singapore	China
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The re-election of Dr Ho as Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Dr Ho’s credentials, experience and overall contribution since he was appointed as a Director of the Company.</p> <p>Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Limited which comes into effect on 1 January 2022, the Board also recommended the continued appointment of Dr Ho as an Independent Director for approval in separate resolutions by (a) all shareholders; and (b) shareholders, excluding the directors and the chief executive officer of the Company and their respective associates.</p>	<p>The re-election of Mr Qiu as Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Qiu’s credentials, experience and overall contribution since he was appointed as a Director of the Company.</p> <p>Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Limited which comes into effect on 1 January 2022, the Board also recommended the continued appointment of Mr Qiu as an Independent Director for approval in separate resolutions by (a) all shareholders; and (b) shareholders, excluding the directors and the chief executive officer of the Company and their respective associates.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee.	Independent Director, Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee.
Professional qualifications	<ul style="list-style-type: none"> • PhD in Arts • Bachelor of Science 	<ul style="list-style-type: none"> • Education certificate for foreign trade
Working experience and occupation(s) during the past 10 years	<ol style="list-style-type: none"> 1. Independent Director of Fuxing China Group Limited since 3 August 2007. 2. Independent Director Kop Limited since 17 February 2012. 3. Independent Director of Vicom Ltd from 1 May 2003 to 29 April 2017. 4. Independent Director of Superbowl Holdings Ltd and Brothers Holdings Ltd in 2011 and 2012. 	<ol style="list-style-type: none"> 1. Independent Director of Fuxing China Group Limited since 3 August 2007. 2. Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd since 2006.

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Ho Kah Leong ("Dr Ho")	Mr Qiu Qing Yuan ("Mr Qiu")
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Other Principal Commitments* Including Directorships[#]

* "Principal Commitments" has the same meaning as defined in the Code.

These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)

Past (for the last 5 years)	Past Directorship: Vicom Ltd	<ul style="list-style-type: none"> Nil
Present	Present Directorships: <ul style="list-style-type: none"> Kop Limited Pioneer & Leaders (M) Sdn Bhd 	Present principal commitments: Directorships: <ul style="list-style-type: none"> Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

- Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- Whether there is any unsatisfied judgment against him?
- Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

CORPORATE GOVERNANCE REPORT

- (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

Dr Ho and Mr Qiu have individually given a negative disclosure on each of the above items (a) to (k).

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

Not applicable for each of Dr Ho and Mr Qiu as this is a re-election/re-appointment of Director.

Financial Statements

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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Fuxing China Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Hong Qing Liang	Executive Chairman and Chief Executive Officer
Hong Peng You	Executive Director
Ho Kah Leong	Lead Independent and Non-Executive Director
Qiu Qing Yuan	Independent and Non-Executive Director
Lim Cheng Kee	Independent and Non-Executive Director

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of whose objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 6 below.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations except as disclosed below:

Name of director and respective companies in which interests are held	Direct interest		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
Fuxing China Group Limited (No. of ordinary shares)				
Hong Qing Liang	10,068,640	10,068,640	—	—
Hong Peng You	—	—	372,000	372,000

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures (Continued)

Hong's Holdings Private Limited owned 9,600,000 shares in the Company as at 31 December 2018. Mr. Hong Qing Liang holds 100% of the share capital of Hong's Holdings Private Limited. As such, Mr. Hong Qing Liang is deemed to have an interest in all the shares held by Hong's Holdings Private Limited in the Company and its subsidiaries. On 22 August 2019, Hong's Holdings Private Limited has transferred all its shares in the Company to Mr. Hong Qing Liang.

The directors' interests as at 21 January 2021 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2020.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. Audit Committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this statement, they are:

Ho Kah Leong (Chairman)
Qiu Qing Yuan
Lim Cheng Kee

The Audit Committee has convened four meetings during the financial year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its below functions:

- (i) reviewed the audit plan and results of the external audit, the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
- (ii) reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (iii) reviewed the Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
- (iv) reviewed the half-yearly and annual announcements on the results of the Group and financial position of the Group and of the Company;
- (v) reviewed and assessed the adequacy of the Group's risk management processes;
- (vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (vii) reviewed interested person transactions in accordance with SGX listing rules;
- (viii) reviewed the nomination of external auditors and approval of their compensation; and
- (ix) submitted report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

DIRECTORS' STATEMENT

6. Audit Committee (Continued)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the board of directors

Hong Qing Liang
Director

Singapore

31 March 2021

Hong Peng You
Director

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fuxing China Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 42 to 103.

In our opinion, the accompanying financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current financial year's financial statements, we identified 7 significant components which required either full scope audit or specific audit of their financial information, either because of their size or/and their risk characteristics.

These significant components were audited by other Mazars offices as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates made by directors.

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter 1	Our audit response
<p>Revenue recognition (refer to Note 4 to the financial statements)</p> <p>In accordance to SSA240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, there is a presumed fraud risk in revenue recognition and the presumption has not been rebutted given the nature of the industry and business environment in which the Group operates.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <p>We reviewed the application of the Group's revenue recognition policy and challenged management's assessment in respect of the accounting treatment adopted by the management of the Group based on those delivery terms as to whether they are appropriate for compliance with SFRS(I) 15 <i>Revenue from Contracts with Customers</i>.</p> <p>We tested the design, implementation and operating effectiveness of the Group's relevant key controls over the revenue recognition, analysed the gross profit margins, performed substantive and cut-off tests on a sample basis, by verifying against acknowledged delivery orders to determine the point of revenue recognition.</p>

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Key Audit Matters (Continued)

Key audit matter 2	Our audit response
<p>Accounting for the disposal of investment property, assets held for sale and the use of proceeds (refer to Note 14 to the financial statements)</p> <p>In the previous year, the Group owned an investment property, which pertains to a leasehold office tower in Xiamen. The investment property was initially recorded at cost. Subsequent to initial recognition, the investment property was measured at fair value, determined annually by an independent professional valuer using the highest and best-use basis. Gains or losses arising from changes in the fair value of the investment property were included in the profit or loss in the year in which they arose.</p> <p>On 2 October 2019, the Group announced the intention to dispose this investment property (the "Proposed Disposal").</p> <p>On 6 July 2020, the Group made an update on the Proposed Disposal, and according to the announcement, the Group sourced potential buyers for certain units of the investment property with an aggregate gross consideration proceeds of RMB 430,290,420, which was benchmarked to the fair value of the property as at 30 June 2020.</p> <p>On 18 November 2020, the Group held a special general meeting and obtained shareholders' approval for the Proposal Disposal. On 4 December 2020, the Group announced that partial disposal of the abovementioned property had been completed. The net proceeds after deducting the cost of disposal were intended to be used for the following purposes: (i) repayment of bank loans of RMB 170 million; (ii) automation and replacement plan to upgrade and replace its machineries of RMB 110 million; (iii) use for working capital of RMB 71 million; and (iv) repayment of director's loans of RMB 23 million.</p> <p>As at 31 December 2020, the remaining unsold units were classified as assets held for sale, and carried at fair value of RMB 40,370,035, as determined by an independent professional valuer on the highest and best-use basis. The Group is actively in search of buyers for these units.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <p>We tested the calculation of the loss on disposal by challenging the judgement made in relation to the carrying value of the assets disposed. The consideration receivable was agreed to the sale agreements and cash receipts. The carrying value of the assets disposed was based on the valuation as of 30 June 2020, and the carrying value of the assets held for sale as at year end was based on the valuation as of 31 December 2020, performed by an independent professional valuer engaged by the management. The fair value was determined based on the property's highest and best-use basis using the Direct Market Comparison Method.</p> <p>We evaluated the design and tested the proper implementation of the Group's relevant key controls over its receipt, payment and procurement of capital expenditure cycles, in relation to the Group's management of the disposal proceeds, as well as verified the use of the proceeds to supporting documents and bank statements.</p> <p>In respect of the cash disbursements made to automate and replace its machineries, we verified the existence and accuracy of the prepayments made as at year end (Note 20) to the supporting purchase agreements, bank statements and traced to the subsequent partial receipt of the machineries after the financial year end.</p> <p>We have also reviewed:</p> <ul style="list-style-type: none"> the professional competence, objectivity and independence of the independent professional valuer; the appropriateness of the basis used by the independent professional valuer, including the assumptions applied; and the management's assessment regarding the classification of the unsold property as at year end pursuant to the criteria of assets held for sale under SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations.

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Key Audit Matters (Continued)

Key audit matters 3	Our audit response
<p>Allowance for receivables (refer to Note 19 to the financial statements)</p> <p>With reference to SFRS(I) 9 <i>Financial Instruments</i> ("SFRS(I) 9"), the Group adopts a simplified approach for the recognition of the loss allowance for trade and bill receivables, which are carried at amortised cost, at an amount equal to lifetime expected credit losses ("ECL") and has also used the practical expedient permitted in SFRS(I) 9 in the form of a provision matrix.</p> <p>For other receivables which are carried at amortised cost, the Group recognises the loss allowance at an amount equal to 12-month expected credit losses where there is no significant increase in credit risk since initial recognition. In the event that the credit risk is assessed to have increased significantly since initial recognition, the Group recognises the loss allowance of such other receivables at an amount equal to lifetime ECL.</p> <p>The assessment of the credit risk and the measurement of ECL require the use of significant judgement and estimates. Any impairment losses or gains resulting from the recognition or reversal of ECL are recognised in profit or loss as an adjustment to the loss allowance at the reporting date.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <p>We have reviewed:</p> <ul style="list-style-type: none">the management's assessment of the recoverability of long outstanding and overdue trade receivables;the reasonableness of management's assumptions and inputs used in the allowance matrix to measure the ECL by comparing to historical credit loss rates, and reviewed data and information used by the management, including the consideration of forward-looking information based on specific economic data;the arithmetic accuracy of management's computation of ECL;the debtor ageing analysis and verified to subsequent receipts from major debtors; anddocumentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable.

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Key Audit Matters (Continued)

Key audit matter 4	Our audit response
<p>Existence of Cash and Short-Term Deposits (refer to Note 21 to the financial statements)</p> <p>As at 31 December 2020, the Group reported cash and short-term deposits of approximately RMB 197.3 million which contributed to about 31% of the total current assets. Accordingly, the existence of cash and short-term deposits was identified as an area of focus.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <ul style="list-style-type: none"> evaluated the design and tested the proper implementation of the Group's relevant key controls over the receipt and payment cycles; circularised and confirmed all bank balances (including in-person visits to banks and via courier service in the People's Republic of China ("PRC"); verified interbank transfers against underlying supporting documentation on a sample basis; examined the year end bank reconciliations and tested the accuracy of the closing bank balances; carried out physical count of the cash on hand balances on a sample basis; circularised additional bank confirmations at a date other than the financial year-end; and verified the existence of the unutilised cash proceeds from the disposal of the property by way of transferring the cash into one of the Group's bank accounts as designated by us as at year end.

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the SFRS (I), and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

To the Members of Fuxing China Group Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The engagement partner on the audit resulting in this independent auditors' report is Lai Keng Wei.

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	697,908	740,704
Cost of sales		(679,510)	(700,580)
Gross profit		18,398	40,124
Other items of income			
Other income	5	6,503	23,187
Interest income	6	1,071	656
Other items of expenses			
Marketing and distribution expenses		(6,274)	(5,924)
Administrative expenses		(77,485)	(51,315)
Other expenses	7	(71,902)	(37,606)
Financial costs	6	(12,825)	(14,964)
Loss before income tax	8	(142,514)	(45,842)
Income tax (expense)/credit	11	(5,307)	6,983
Loss for the year		(147,821)	(38,859)
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		9,833	(2,070)
Total comprehensive loss for the year attributable to owners of the Company		(137,988)	(40,929)
Loss attributable to:			
Owners of the Company		(148,058)	(39,118)
Non-controlling interests		237	259
Total comprehensive loss attributable to:		(147,821)	(38,859)
Loss per share attributable to owners of the Company (RMB per share)			
Basic and diluted	12	(8.61)	(2.27)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company		
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	
Assets						
Non-current assets						
Property, plant and equipment	13	211,073	265,553	—	—	
Investment property	14	—	472,900	—	—	
Land use rights	15	26,027	26,933	—	—	
Intangible assets	16	—	—	—	—	
Prepayments	20	—	180	—	—	
Investment in subsidiaries	17	—	—	344,853	344,853	
		237,100	765,566	344,853	344,853	
Current assets						
Inventories	18	36,157	42,674	—	—	
Trade and other receivables	19	239,361	255,078	184,817	333,290	
Prepayments	20	131,686	70,752	—	—	
Cash and short-term deposits	21	197,272	87,512	175	378	
Assets held for sale	22	40,370	—	—	—	
		644,846	456,016	184,992	333,668	
Total assets		881,946	1,221,582	529,845	678,521	
Equity and liabilities						
Equity attributable to owners of the Company						
Share capital	23	772,574	772,574	772,574	772,574	
Treasury shares	23	(6,408)	(6,408)	(6,408)	(6,408)	
Reserve fund	24	66,557	66,457	—	—	
Capital reserve	24	39,573	39,573	39,573	39,573	
Restructuring reserve	24	(117,878)	(117,878)	—	—	
Foreign currency translation reserve	24	(885)	(10,718)	—	—	
Accumulated losses		(269,258)	(121,100)	(280,992)	(131,307)	
Total equity attributable to owners of the Company		484,275	622,500	524,747	674,432	
Non-controlling interests		449	392	—	—	
Total equity		484,724	622,892	524,747	674,432	
Current liabilities						
Trade and other payables	25	119,631	154,381	3,050	1,910	
Other liabilities	26	105,503	146,123	2,048	2,179	
Loans and borrowings	27	149,710	271,186	—	—	
Income tax payable		4,086	4,531	—	—	
		378,930	576,221	5,098	4,089	
Non-current liability						
Deferred tax liabilities	28	18,292	22,469	—	—	
Total liabilities		397,222	598,690	5,098	4,089	
Total equity and liabilities		881,946	1,221,582	529,845	678,521	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

<u>Group</u>	<u>Share capital RMB'000</u>	<u>Treasury shares RMB'000</u>	<u>Reserve fund RMB'000</u>	<u>Capital reserve RMB'000</u>	<u>Restructuring reserve RMB'000</u>	<u>Foreign currency translation reserve RMB'000</u>	<u>Accumulated losses RMB'000</u>	<u>Attributable to owners of the Company RMB'000</u>	<u>Non-controlling interests RMB'000</u>	<u>Total RMB'000</u>
Balance at 1 January 2020	772,574	(6,408)	66,457	39,573	(117,878)	(10,718)	(121,100)	622,500	392	622,892
Loss for the year	–	–	–	–	–	–	–	(148,058)	(148,058)	237 (147,821)
<u>Other comprehensive loss</u>										
Exchange differences on translating foreign operations	–	–	–	–	–	9,833	–	9,833	–	9,833
Total comprehensive loss for the year	–	–	–	–	–	9,833	(148,058)	(138,225)	237	(137,988)
<u>Contribution by and distributions to owners</u>										
Appropriation to reserve fund	–	–	100	–	–	–	(100)	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	(180)	(180)
Balance at 31 December 2020	772,574	(6,408)	66,557	39,573	(117,878)	(885)	(269,258)	484,275	449	484,724

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Capital reserve RMB'000	Restructuring reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019	772,574	(6,408)	66,015	39,573	(117,878)	(8,648)	(81,540)	663,688	133	663,821
Loss for the year	–	–	–	–	–	–	(39,118)	(39,118)	259	(38,859)
Other comprehensive loss	–	–	–	–	–	(2,070)	–	(2,070)	–	(2,070)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(2,070)	(39,118)	(41,188)	259	(40,929)
<u>Contribution by and distributions to owners</u>										
Appropriation to reserve fund	–	–	442	–	–	–	(442)	–	–	–
Balance at 31 December 2019	772,574	(6,408)	66,457	39,573	(117,878)	(10,718)	(121,100)	622,500	392	622,892

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<u>Company</u>					
Balance at 1 January 2019	772,574	(6,408)	39,573	(82,236)	723,503
Loss for the year, representing total comprehensive loss for the year	–	–	–	(49,071)	(49,071)
Balance at 31 December 2019	772,574	(6,408)	39,573	(131,307)	674,432
Loss for the year, representing total comprehensive loss for the year	–	–	–	(149,685)	(149,685)
Balance at 31 December 2020	772,574	(6,408)	39,573	(280,992)	524,747

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Loss before income tax		(142,514)	(45,842)
Adjustments for:			
Depreciation of property, plant and equipment	13	33,688	33,277
Amortisation of land use rights	15	906	905
Write off of property, plant and equipment	13	86	–
Impairment loss on property, plant and equipment	13	3,215	2,153
Fair value loss on investment property	14	34,982	37,600
Fair value loss on assets held for sale	22	3,396	–
Loss on disposal of assets held for sale	7	19,441	–
Net allowance for doubtful trade receivables	31	28,584	5,627
Net (reversal)/provision of allowance for advance to suppliers	31	(1,226)	316
Allowance for obsolescence and slow-moving stocks	8	410	2,270
Net provision/(write back) of social security contribution	8	1,830	(2,373)
Interest expense	6	12,825	14,964
Interest income	6	(1,071)	(656)
Foreign currency gain/(loss)		9,315	(1,534)
Total adjustments		146,381	92,549
Operating cash flows before changes in working capital		3,867	46,707
Changes in working capital:			
Inventories		6,107	25,246
Trade and other receivables		(12,867)	7,989
Prepayments		(17,788)	13,574
Trade and other payables		(18,304)	(48,812)
Other liabilities		(42,450)	18,816
Total changes in working capital		(85,302)	16,813
Cash flows generated from operations		(81,435)	63,520
Income taxes paid		(9,929)	(1,383)
Net cash flows (used in)/generated from operating activities		(91,364)	62,137
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(48,949)	(35,839)
Proceeds from disposal of assets held for sale		399,411	–
Interest received		1,071	656
Net cash flows generated from/(used in) investing activities		351,533	(35,183)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests of a subsidiary		(180)	–
Repayment of director's loan		(16,446)	(37,476)
Proceeds from loans and borrowings		246,118	300,488
Repayments of loans and borrowings		(379,901)	(266,202)
Decrease/(Increase) in fixed deposits pledged to banks		23,500	(20,000)
Net cash flows used in financing activities		(126,909)	(23,190)
Net increase in cash and cash equivalents		133,260	3,764
Cash and cash equivalents at beginning of financial year		27,512	23,748
Cash and cash equivalents at end of financial year	21	160,772	27,512

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

Reconciliation of liabilities/(assets) arising from financing activities

2020	Non-cash movement			Financing cash inflows / (outflows) RMB'000	31 December 2020 RMB'000
	1 January 2020 RMB'000	Foreign exchange movement RMB'000	Interest expense RMB'000		
Liabilities					
Loans and borrowings (Note 27)	271,186	(518)	12,825	(133,783)	149,710
Amounts due to directors (non-trade) (Note 25)	19,202	–	–	(16,446)	2,756
Assets					
Pledged deposits (Note 21)	(60,000)	–	–	23,500	(36,500)
2019	Non-cash movement			Financing cash inflows / (outflows) RMB'000	31 December 2019 RMB'000
	1 January 2019 RMB'000	Foreign exchange movement RMB'000	Interest expense RMB'000		
Liabilities					
Loans and borrowings (Note 27)	221,400	536	14,964	34,286	271,186
Amounts due to directors (non-trade) (Note 25)	56,678	–	–	(37,476)	19,202
Assets					
Pledged deposits (Note 21)	(40,000)	–	–	(20,000)	(60,000)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Fuxing China Group Limited (the “Company”) was incorporated and domiciled as an exempt company with limited liability in Bermuda and is listed on the mainboard in Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Group is located at Hangbian Industry Area, Longhu Town, Jinjiang City, Fujian Province, People's Republic of China (the “PRC”).

The financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors of the Company on the date of Directors' Statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company have been drawn up in accordance with the provisions of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) including related Interpretations of SFRS(I) (“SFRS(I) INT”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Renminbi (“RMB”) which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand (“RMB'000”), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020. The adoption of these new or revised SFRS(I)s and SFRS(I) INT did not result in changes to the Group's and Company's accounting policies, and has no material effect on the current or prior year's financial statement and is not expected to have a material effect on future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I) and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that were issued but not yet effective:

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 16	Amendment to SFRS(I) 16: <i>Covid-19- Related Rent Concessions</i>	1 June 2020
SFRS(I) 3	Amendments to SFRS(I) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
SFRS(I) 1-16	Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
SFRS(I) 1-37	Amendments to SFRS(I) 1-37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non- current</i>	1 January 2023
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Various	Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group does not intend to early adopt any of the above new or revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") or, when applicable, the cost on initial recognition of an investment in an associate or joint controlled entity.

Investment in subsidiaries is carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business Combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combination* ("SFRS(I) 3") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Common Control Business Combination Outside the Scope of SFRS(I) 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of SFRS(I) 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

Common Control Business Combination Outside the Scope of SFRS(I) 3 (Continued)

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Restructuring reserve represents the differences between the nominal amount of the share capital of the combining entities at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The consolidated financial statements were prepared based on the audited financial statements of subsidiaries which were prepared in accordance with SFRS(I) for the purpose of consolidation. The PRC subsidiaries maintain their accounting records and prepare the relevant statutory financial statement in accordance with the accounting standards and legislations of the PRC Generally Accepted Accounting Principle (GAAP).

Apart from the above, all business combinations are accounted for using the acquisition method.

2.4 Revenue recognition

The Group is principally in the business of production and trading of zipper products and provision of related processing services. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

Sale of goods

The Group provides customisation and manufacturing of zipper products to deliver the desired designs to customers. Generally, the contracts would be completed within a year from commencement date. Customers can select the materials and quality of their products to fit their requirements. The customisation and manufacturing of zipper products is one performance obligation as the promises are not distinct within the context of the contract. Revenue is recognised at a point in time when the control of the goods is transferred to the customer (i.e. when the goods are delivered in accordance with the applicable incoterms or terms and conditions and significant risks and rewards of ownership of the goods is transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Processing

Processing represents colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn. Revenue from processing is recognised at a point in time when the end customer receives the service (i.e. when the service is performed in accordance with the applicable terms and conditions). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefit costs

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.8 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.8 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment property where investment property measured at fair value is presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.9 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.9 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

- Plant and machinery 10% to 20%
- Buildings 5%
- Motor vehicles 10% to 20%
- Office equipment 20%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.11 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value and changes in the fair value are included in profit or loss for the year in which they arise. Fair values are determined annually by independent professional valuers.

Costs of major renovations and improvements to the investment property are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

Upon its disposal or retirement, the difference between the net disposal proceeds and the carrying amount of the investment property is recognised in profit or loss.

2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software

Acquired computer software licences are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss over their estimated useful lives of 5 years.

Patent

A patent for the new Super Durable Zipper product was purchased in the financial year ended 31 December 2010. This patent is measured at cost less accumulated amortisation and any impairment loss. It is amortised on a straight-line basis over its estimated useful life of 7 years.

The amortisation expense on the patent with a finite life is recognised in profit or loss through the 'Administrative expenses' line item.

Customer base

The customer base was acquired in business combinations. This customer base is measured at cost less accumulated amortisation and any impairment loss. It is amortised on a straight-line basis over its estimated useful life of 10 years.

The amortisation expense on the customer base with a finite life is recognised in profit or loss through the 'Administrative expenses' line item.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

Operating licence

The operating licence was acquired in business combinations. This operating licence is measured at cost less accumulated amortisation and any impairment loss. It is amortised on a straight-line basis over its estimated useful life of 22 years.

The amortisation expense on the operating licence with a finite life is recognised in profit or loss through the 'Administrative expenses' line item.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

2.13 Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contracts with Customers* (“SFRS(I) 15”) in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest (“SPPI”) on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 31.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of earnings of the Company, or proportionately against the share capital and accumulated profits accounts if the shares are purchased both out of capital and accumulated profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (see Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.18 Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because:
 - (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (b) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants related to income, they are presented as part of profit or loss under a general heading of 'Other income'.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.21 Leases

Operating leases - Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.22 Assets held for sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Depreciation and amortisation for an asset ceases once it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currency of the Company and its subsidiaries. In determining the functional currency of the respective entity in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the entities in the Group is determined based on the local management's assessment of the economic environment in which the entities operate and the respective entity's process of determining sales prices.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Estimated fair value of assets held for sale

Assets held for sale pertains to investment property are stated at fair value, determined by independent valuer which based on the Direct Market Comparison Method that comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. Gain or loss arising from change in the fair value of investment property is recognised in the profit or loss in the year in which it arises. The fair value of the assets held for sale as at 31 December 2020 is disclosed in Note 22 to the financial statements.

Measurement of ECL of trade receivables and bill receivables

The Group uses an allowance matrix to measure ECL for trade receivables and bill receivables. The ECL rates are based on the Group's historical loss experience of the receivables, for the last 1 year prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors, including their best estimate of the impact of COVID-19, specific to the receivables and the economic environment which could affect the ability of the debtors to settle the trade receivables and bill receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables and bill receivables as at 31 December 2020 are disclosed in Note 19 to the financial statements.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset may already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment at 31 December 2020 are disclosed in Note 13 to the financial statements.

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the stability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2020 is disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Measurement of prepayments

The Group's prepayments mainly pertain to the advances to supplier for future purchase. The loss allowances for prepayments are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The carrying amount of the Group's prepayments as at 31 December 2020 is disclosed in Note 20 to the financial statements.

Impairment of investment in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investment is impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries as at 31 December 2020 is disclosed in Note 17 to the financial statements.

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payables as at 31 December 2020 were RMB 4,086,000 (2019: RMB 4,531,000).

Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each financial year to ascertain whether there is an indication of impairment. If such indications are found, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the fair value less costs to sell, as determined by independent valuer, who had used the Direct Market Comparison Method by comparing the subject buildings with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. The carrying amounts of the Group's property, plant and equipment at 31 December 2020 is disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. Revenue

The disaggregation of revenue from contracts with customers is as follows:

in RMB'000

Geographical markets ^(a)	Reportable segments						Inter-segment revenue	Total		
	Sale of goods			Total	Processing	2020				
	Zipper Chain	Zipper Slider	Trading							
2020	2019	2020	2019	2020	2019	2019	2020	2019		
PRC	325,748	328,697	85,028	82,780	—	410,776	411,477	73,023		
Hong Kong	—	—	—	—	249,304	271,987	249,304	271,987		
	<u>325,748</u>	<u>328,697</u>	<u>85,028</u>	<u>82,780</u>	<u>249,304</u>	<u>271,987</u>	<u>660,080</u>	<u>683,464</u>		

Timing of revenue recognition

Goods transferred at a point in time

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. Revenue (Continued)

(a) *The disaggregation is based on the location of customers from which revenue was generated.*

The Group has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations which are part of contracts that have an original expected duration of one year or less.

Contract balances

	2020 RMB'000	2019 RMB'000
Contract liabilities – Advance from customers (Note 26)	(54,590)	(46,915)

Significant changes in the contract liabilities balances during the period are as follows:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	46,915	55,603

5. Other income

	Group	
	2020 RMB'000	2019 RMB'000
Government grant	590	771
Foreign exchange gain, net	–	2,026
Rental and management income	5,434	20,030
Others	479	360
	<u>6,503</u>	<u>23,187</u>

6. Interest income and financial costs

	Group	
	2020 RMB'000	2019 RMB'000
Interest income from:		
- Bank deposits	1,071	656
Interest expense on:		
- Bank loans	12,825	14,964

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. Other expenses

	Group	
	2020 RMB'000	2019 RMB'000
Fair value loss on investment property	34,982	37,600
Fair value loss on assets held for sale	3,396	–
Impairment loss on property, plant and equipment	3,215	–
Loss on disposal of assets held for sale	19,441	–
Foreign exchange loss, net	10,782	–
Others	86	6
	71,902	37,606

8. Loss before income tax

The following charges/(credits) were included in determination of loss before income tax:

	Group		
	Note	2020 RMB'000	2019 RMB'000
Personnel expenses	10	63,777	61,953
Fair value loss on investment property	7	34,982	37,600
Fair value loss on assets held for sale	7	3,396	–
Impairment loss on property, plant and equipment	7	3,215	–
Loss on disposal of assets held for sale	7	19,441	–
Net allowance for doubtful trade receivables	31	28,584	5,627
Net (reversal)/provision of allowance for advance to suppliers	31	(1,226)	316
Allowance for obsolescence and slow-moving stocks	18	410	2,270
Net provision/(write back) of social security contribution		1,830	(2,373)
Audit fees charged by auditors of the Company		1,588	1,620

9. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. Significant related party transactions (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Compensation of directors and key management personnel

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Total compensation to key management personnel – salaries, bonuses and fees (included in personnel expenses in Note 10)	3,281	3,087	1,920	1,933
Comprises amounts paid to:				
- Directors	1,790	1,869	1,320	1,333
- Other key management personnel	1,491	1,218	600	600
	3,281	3,087	1,920	1,933

No defined contribution plans were paid to key management personnel.

10. Personnel expenses

	Group	
	2020 RMB'000	2019 RMB'000
Salaries and bonuses	58,693	58,091
Contribution to defined contribution plans	5,084	3,862
	63,777	61,953

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. Income tax expense/(credit)

	Group	
	2020 RMB'000	2019 RMB'000
Current income tax:		
- Current financial year	1,285	2,103
- Land appreciation tax	8,199	-
Deferred income tax (Note 28)		
- Origination and reversal of temporary differences	(4,177)	(9,086)
Total income tax expense/(credit)	<u>5,307</u>	<u>(6,983)</u>

The reconciliation between tax expense/(credit) and the loss before income tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2020 and 2019 is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Loss before income tax		
	<u>(142,514)</u>	<u>(45,842)</u>
Tax at the domestic tax rates applicable to profits in the countries where the Group operates		
	(30,372)	(11,378)
Adjustments:		
- Non-deductible expenses	16,076	3,472
- Income not subject to taxation	(666)	(314)
- Land appreciation tax	8,199	-
- Deferred tax (reversal)/provision relating to withholding tax for undistributed profits of PRC subsidiaries	(260)	317
- Deferred tax assets not recognised	12,085	931
- Others	245	(11)
Total income tax expense/(credit)	<u>5,307</u>	<u>(6,983)</u>

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

(i) Fuxing China Group Limited (“the Company”) and Jade Star Group Holdings Limited (“Jade Star”)

The Company and Jade Star are incorporated in Bermuda and the British Virgin Islands respectively and are not required to pay taxes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. Income tax expense (Continued)

(ii) Jinjiang Fookhing Zipper Co., Ltd ("Fookhing Zipper"), Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress"), Fulong Zipper and Weaving Co., Ltd ("Fulong"), Jinjiang Jianxin Weaving Co., Ltd ("Jianxin"), Jinjiang Fuxin Electroplating Co., Ltd ("Fuxin") and Xiamen Fuxing Industrial Company Limited ("Xiamen Fuxing")

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT" Law) promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including foreign investment enterprises and domestic enterprises. The general applicable EIT tax rate in the PRC is 25%.

Accordingly, Fuxing Dress, Fulong, Jianxin and Fuxin are subjected to EIT tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

Fookhing Zipper has obtained the "New and High Technology Enterprise" status, which allows the subsidiary to enjoy a preferential corporate tax rate of 15% for 3 years. However, the application has not been approved by the Fujian province tax bureau. Accordingly, the applicable EIT tax rate for Fookhing Zipper is 25% for the financial year ended 31 December 2020 (2019: 25%).

Rental income from Xiamen Fuxing is subjected to tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

(iii) Fookhing Group Trading Company Limited ("Fuxing HK") and Fuxing China Group Limited (HK) ("FCG")

The statutory income tax applicable to Fuxing HK and FCG for the financial year ended 31 December 2020 is 16.5% (2019: 16.5%).

No provision for income tax has been made for FCG as this Company did not have any assessable profit during the financial years ended 31 December 2020 and 2019.

Unutilised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 120,252,000 (2019: RMB 71,912,000) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised in respect of such losses due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year amounting to 17,205,438 ordinary shares (2019: 17,205,438).

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2020 RMB'000	2019 RMB'000
Loss for the year attributable to owners of the Company	(148,058)	(39,118)
No. of shares '000	No. of shares '000	
Weighted average number of ordinary shares for diluted loss per share computation	17,205	17,205

Note: Basic loss per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2019: 17,205,438).

	Group	
	2020	2019
Basic and diluted loss per share (RMB per share)	(8.61)	(2.27)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. Property, plant and equipment

Group	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2019						
At 1 January 2019	182,355	322,223	14,008	4,579	7,651	530,816
Additions	23,888	11,245	403	123	–	35,659
Reclassification	–	7,651	–	–	(7,651)	–
Write off	(5,383)	–	–	–	–	(5,383)
At 31 December 2019	200,860	341,119	14,411	4,702	–	561,092
Additions	6,999	–	49	161	–	7,209
Reclassified as assets held for sale (Note 22)	–	(28,847)	–	–	–	(28,847)
Write off	(369)	–	(898)	–	–	(1,267)
At 31 December 2020	207,490	312,272	13,562	4,863	–	538,187
Accumulated depreciation						
At 1 January 2019						
At 1 January 2019	110,427	139,578	11,373	4,114	–	265,492
Depreciation charge for the financial year	15,511	17,009	620	137	–	33,277
Write off	(5,383)	–	–	–	–	(5,383)
At 31 December 2019	120,555	156,587	11,993	4,251	–	293,386
Depreciation charge for the financial year	16,215	16,666	689	118	–	33,688
Reclassified as assets held for sale (Note 22)	–	(2,855)	–	–	–	(2,855)
Write off	(283)	–	(898)	–	–	(1,181)
At 31 December 2020	136,487	170,398	11,784	4,369	–	323,038
Accumulated impairment loss						
At 1 January 2019						
At 1 January 2019	–	–	–	–	–	–
Impairment loss for the financial year	–	2,153	–	–	–	2,153
At 31 December 2019	–	2,153	–	–	–	2,153
Impairment loss for the financial year	–	3,215	–	–	–	3,215
Reclassified to assets held for sale (Note 22)	–	(1,292)	–	–	–	(1,292)
At 31 December 2020	–	4,076	–	–	–	4,076
Net carrying amount						
At 31 December 2020						
At 31 December 2020	71,003	137,798	1,778	494	–	211,073
At 31 December 2019	80,305	182,379	2,418	451	–	265,553

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. Property, plant and equipment (Continued)

Purchase of property, plant and equipment

	Group	
	2020 RMB'000	2019 RMB'000
Aggregate cost of property, plant and equipment acquired	7,209	35,659
Less: Prepayments made in prior financial year (Note 20)	(180)	–
Add: Prepayments made in current financial year (Note 20)	41,920	180
Net cash outflow for purchase of property, plant and equipment	<u>48,949</u>	<u>35,839</u>

As of 31 December 2020, certain buildings of the Group with net carrying amount of RMB 124,950,000 (2019: RMB 169,773,000) were pledged as security for the facility of bills payables (Note 25) and short-term bank loans (Note 27).

There are no rules or guidelines under the existing rules and regulations in the PRC as to the responsibility of restoration upon expiry of land use rights. There is no reliable estimation to the cost of restoration and the expenditure is not probable.

During the financial year, the Group carried out a review of the recoverable amount of its buildings as it incurred an operating loss. An impairment loss of RMB 3,215,000 (2019: RMB 2,153,000) representing the write-down of buildings to the recoverable amount was recognised in profit or loss. The recoverable amount of the buildings is determined based on valuation performed by an independent qualified professional valuer during the financial year. The method of valuation was the market comparison approach that makes reference to the market values of comparable properties in the same area.

14. Investment property

	Group	
	2020 RMB'000	2019 RMB'000
At fair value:		
At 1 January	472,900	510,500
Fair value loss included in profit or loss	(34,982)	(37,600)
Reclassification as assets held for sale (Note 22)	<u>(437,918)</u>	–
At 31 December	<u>–</u>	<u>472,900</u>
Statement of comprehensive income		
Rental income from investment property and management income (<i>Including direct expenses</i>) - net	5,434	20,030

In the previous financial year, given the development and market sentiments in the PRC's real estate industry, the Group had determined it was in the best interest of the Group to sell off the property.

On 19 May 2020, the Group had obtained the local authorities' approval for the disposal. On 3 July 2020, the Group had entered into provisional sale and purchase agreements (the "Provisional SPAs") with interested buyers to dispose part of the investment property, Fuxing International Centre, for an aggregate consideration of RMB 430,290,420. These sales were executed and completed on 4 December 2020.

Pursuant to the Provisional SPAs, the remaining unsold units of the asset has been reclassified as "assets held for sale" as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. Investment property (Continued)

Valuation of investment property as at 31 December 2019

Investment property was stated at fair value based on the properties' highest and best use, which had been determined based on valuation performed as at 31 December 2019. The valuation of investment property was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd, on 31 December 2019. The independent valuer has a recognised and relevant professional qualification and with relevant recent experience in the location and category of the properties being valued. The valuation was based on direct market comparison approach that made reference to market values of the comparable properties in the same area.

Key unobservable input used was the transacted prices per square metre of comparable properties in close proximity based on recent market transactions. These recent transacted prices were subsequently adjusted to consider the size of the Group's property, the age of the building, the remaining tenure of the property and/or the plot ratio of the land relative to those of the comparable properties sold to derive the fair value of the Group's property. An increase in transacted prices per square metre would increase the valuation.

Property pledged as security as at 31 December 2019

The investment property was mortgaged to secure short-term loans (Note 27).

Details of the investment property held by the Group as at 31 December 2019 are as follows:

Location	Gross Area	Existing Use	Tenure	Expiry of Lease Term
Siming District, Xiamen City, Fujian Province, the People's Republic of China	49,554 sq m	Office	Leasehold	27 April 2061

15. Land use rights

	Group	
	2020 RMB'000	2019 RMB'000
Cost		
At 1 January and 31 December	35,300	35,300
Accumulated amortisation		
At 1 January	8,367	7,462
Additions	906	905
At 31 December	9,273	8,367
Net carrying amount		
At 31 December	26,027	26,933
Amount to be amortised		
- Not later than one year	905	905
- Later than one year but not later than five years	4,525	4,525
- Later than five years	20,597	21,503

The Group has land use rights over six plots (2019: six plots) of state-owned land in The People's Republic of China (PRC) where the Group's manufacturing and storage facilities reside. The land use rights are not transferable and have remaining tenure of 26 years to 38 years (2019: 27 years to 39 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Land use rights (Continued)

Land use rights pledged as security

As of 31 December 2020, the land use rights of the Group with net carrying amount of RMB 26,027,000 (2019: RMB 26,933,000) were pledged as security for the facility of bills payables (Note 25) and short-term bank loans (Note 27).

16. Intangible assets

	Software RMB'000	Patent RMB'000	Customer base RMB'000	Operating licence RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2019, 31 December 2019 and 2020	209	46,000	71,951	98,254	216,414
Accumulated amortisation					
At 1 January 2019, 31 December 2019 and 2020	209	20,262	18,587	10,793	49,851
Accumulated impairment					
At 1 January 2019, 31 December 2019 and 2020	–	25,738	53,364	87,461	166,563
Net carrying amount					
At 31 December 2019 and 2020	–	–	–	–	–

Customer base and operating licence arised from business combinations in 2011.

Patent

This represents the patent right bought from the patent holder for the production of new Super Durable Zipper, hence it has been identified as an intangible asset from these acquisitions.

Customer base

The vast majority of the products by Fulong Zipper and Weaving Co., Ltd (“Fulong”) and Jinjiang Jianxin Weaving Co., Ltd (“Jianxin”) are transacted with existing customers whom the subsidiaries have long-term relationship with and repeated orders from these customers, hence it has been identified as an intangible asset arising from these acquisitions.

Operating licence

The electroplating industry is regulated tightly in PRC due to its pollutive nature and there will be limited granting of such licences to new entrants based on current legislation, hence it has been identified as an intangible asset arising from these acquisitions.

Amortisation expense

The amortisation of software, patent, customer base and operating licence is included in the “Administrative expense” line items in profit or loss respectively.

Impairment loss recognised previously

In 2013, full impairment was recognised on the carrying amount of patent, customer base and operating licence. Since then, the subsidiaries became and remained dormant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17. Investment in subsidiaries

	Name	Country of incorporation	Principal activities	Company	
				2020 RMB'000	2019 RMB'000
Unquoted shares, at cost				344,853	344,853
				Effective equity held by the Company 2020 %	2019 %
<i>Held by the Company</i>					
Jade Star Group Holdings Limited ("Jade Star") ⁽¹⁾		British Virgin Islands	Investment holding	100	100
Fuxing China Group Limited (HK) ("FCG") ⁽¹⁾		Hong Kong	Investment holding, to facilitate the application of the State-owned Land Use Right Certificate in respect of the Land Parcel	100	100
<i>Held through Jade Star</i>					
Jinjiang Fookhing Zipper Co., Ltd ("Fookhing Zipper") ⁽²⁾	People's Republic of China	Production and sale of finished zippers and zipper chains	100	100	
Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress") ⁽²⁾	People's Republic of China	Production and sale of zipper sliders	100	100	
Fookhing Group Trading Co., Ltd ("Fuxing HK") ⁽²⁾	Hong Kong	Trading of raw materials for textile sector	100	100	
Fulong Zipper and Weaving Co., Ltd ("Fulong") ⁽¹⁾	People's Republic of China	Colour dyeing of fabric tapes for zippers	100	100	
Jinjiang Jianxin Weaving Co., Ltd ("Jianxin") ⁽¹⁾	People's Republic of China	Manufacturing and sales of dyed yarn	100	100	
Jinjiang Fuxin Electroplating Co., Ltd ("Fuxin") ⁽¹⁾	People's Republic of China	Provision of electroplating services for zipper sliders	100	100	
<i>Held through FCG</i>					
Xiamen Fuxing Industrial Company Limited ("Xiamen Fuxing") ⁽²⁾	People's Republic of China	Real estate development	100	100	
<i>Held through Xiamen Fuxing</i>					
Xiamen Xinfuxing Property Management Co., Ltd ("Xiamen Property") ⁽³⁾	People's Republic of China	To handle property management and realtor services for the Group's Xiamen headquarters	80	80	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17. Investment in subsidiaries (Continued)

Notes on auditors

- (1) Reviewed by an overseas member firm of Mazars for consolidation purposes.
- (2) Audited by an overseas member firm of Mazars for consolidation purposes.
- (3) The unaudited management accounts have been used for consolidation purposes as they are not material to the Group's financial statements. Summarised financial information was not disclosed as the non-controlling interest of the Group is not significant.

18. Inventories

	Group	
	2020 RMB'000	2019 RMB'000
Raw materials	10,167	12,196
Work-in-progress	8,206	8,537
Finished goods	17,784	21,941
	<u>36,157</u>	<u>42,674</u>

The Group has recognised RMB 679,435,000 (2019: RMB 698,460,000), as an expense in cost of sales.

The inventories have been reduced by RMB 410,000 (2019: 2,270,000) as a result of the write down to net realisable value. The write-down is included as an expense in cost of sales.

19. Trade and other receivables

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables	312,882	292,703	–	–
Less: loss allowance (Note 31)	(95,029)	(66,445)	–	–
	<u>217,853</u>	<u>226,258</u>	–	–
Bills receivables	15,387	23,103	–	–
Other receivables	7,071	6,667	2	2
Amount due from subsidiaries (non-trade)	–	–	571,454	475,979
Less: loss allowance (Note 31)	(950)	(950)	(386,639)	(142,691)
Total trade and other receivables	<u>239,361</u>	<u>255,078</u>	<u>184,817</u>	<u>333,290</u>

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 90 to 180 days (2019: 90 to 180 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The trade receivables are denominated in the functional currencies of the respective companies as at 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. Trade and other receivables (Continued)

Bills receivable

Bills receivable are interest-free and have maturity periods of approximately 180 days (2019: 180 days) and are denominated in the functional currencies of the respective companies.

Amount due from subsidiaries

Amount due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Amounts due from subsidiaries are denominated in the functional currency of the respective company except for an amount of RMB 1,949,775 (2019: RMB 68,036,281) which are denominated in Hong Kong dollar ("HKD").

The details of the impairment of trade and other receivables and credit exposures are disclosed in Note 31.

20. Prepayments

	Group	
	2020 RMB'000	2019 RMB'000
Non-current:		
Prepayments for property, plant and equipment	—	180
Current:		
Advances to suppliers	91,637	74,603
Less: loss allowance	(5,122)	(6,348)
	86,515	68,255
Prepayments for property, plant and equipment	41,920	—
Prepaid operating expenses	3,251	2,497
	131,686	70,752
Total prepayments	131,686	70,932

The prepayments are non-interest bearing, refundable on demand and denominated in the functional currencies of the respective entities as at 31 December 2020 and 2019.

Movement in loss allowance for advance to suppliers:

At 1 January	6,348	6,032
(Reversal)/Charge for the financial year	(1,226)	316
At 31 December	5,122	6,348

During the current financial year, the Group made a prepayment of RMB 41,920,000 to third party vendors to acquire certain machineries, of which RMB 38,000,000 had come from the resultant proceeds arising from the disposal of assets held for sale (Note 22). The machineries are to be delivered in 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

21. Cash and short-term deposits

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash at banks and on hand	160,772	27,512	175	378
Short-term deposits	36,500	60,000	—	—
Cash and short-term deposits	197,272	87,512	175	378

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interests at the respective short-term deposits rates. Short-term deposits amounting to RMB 36,500,000 (2019: RMB 60,000,000) are pledged to banks for the Group's bills payables to banks (Note 25) and short-term bank loans (Note 27).

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
United States Dollar	1,439	885	—	—
Singapore Dollar	73	48	72	48
Hong Kong Dollar	264	861	103	330

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2020 RMB'000	2019 RMB'000
Cash and short-term deposits	197,272	87,512
Less: short-term deposits pledged	(36,500)	(60,000)
Cash and cash equivalents	160,772	27,512

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22. Assets held for sale

During the current financial year, the Group's management and the Company's shareholders approved the sale of its office building, previously classified as investment property and property, plant and equipment. Assets classified as held for sale represent units in the aforementioned office building following the commitment of the Group to sell the property. As at 31 December 2020, the Group had completed the disposal of certain units of the property while the remaining units are expected to be sold within the next twelve months.

	Group 2020	RMB'000
At fair value:		
Reclassified from property, plant and equipment (Note 13)	24,700	
Reclassified from investment property (Note 14)	437,918	
Disposal	(418,852)	
Fair value loss included in profit or loss	(3,396)	
At 31 December	<u>40,370</u>	

Valuation of assets held for sale

The assets held for sale relates to the investment property, and are stated at fair value based on the properties' highest and best use, determined based on valuation performed as at 30 June 2020 for the initial recognition, and as at 31 December 2020 for the subsequent remeasurement. The valuation of assets held for sale was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd. on the reporting dates. The independent valuer has a recognised and relevant professional qualification and with relevant recent experience in the location and category of the properties being valued. The valuation is based on the direct market comparison approach that makes reference to the market values of comparable properties in the same area.

Key unobservable input used is the transacted prices per square metre of comparable properties in close proximity based on recent market transactions. These recent transacted prices are subsequently adjusted to consider the size of the Group's property, the age of the building, the remaining tenure of the property and/or the plot ratio of the land relative to those of the comparable properties sold to derive the fair value of the Group's property. An increase in transacted prices per square metre would increase the valuation.

Assets held for sale pledged as security

The assets held for sale is mortgaged to secure short-term loans (Note 27).

Details of the assets held for sale held by the Group as at 31 December 2020 are as follows:

Location	Gross Area	Existing Use	Tenure	Expiry of Lease Term
Siming District, Xiamen City, Fujian Province, the People's Republic of China	6,378 sq m	Office	Leasehold	27 April 2061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

23. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2020		2019	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 1 January and 31 December	17,205	772,574	17,205	772,574

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have par value of SGD 5 each.

(b) Treasury shares

	Group and Company			
	2020		2019	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 1 January and 31 December	277	6,408	277	6,408

Treasury shares relate to ordinary shares of the Company that are held by the Company.

24. Other reserves

(a) Reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the reserve fund reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(b) Capital reserve

On 10 September 2007, the Company acquired the entire issued share capital of Jade Star Group at an aggregate consideration based on the net assets value ("NAV") of Jade Star Group and its subsidiaries of SGD 67,777,712 (RMB 344,854,544) (which is the aggregate of the audited NAV of Fookhing Zipper and Fuxing Dress as at 31 December 2006) which is deemed as fair value of the investment in Jade Star Group and its subsidiaries. In consideration of the foregoing, the Company issued an aggregate of 599,800,000 shares of SGD 0.10 each in the Company at an aggregate excess value of SGD 7,777,712 (RMB 39,572,999), credited to the capital reserve of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24. Other reserves (Continued)

(c) Restructuring reserve

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under “merger accounting”.

(d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of entities whose functional currencies are different from that of the Group’s presentation currency.

25. Trade and other payables

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade payables	8,426	7,228	–	–
Bills payables to banks	108,449	127,951	–	–
Amounts due to directors (non-trade)	2,756	19,202	3,050	1,910
Total trade and other payables	119,631	154,381	3,050	1,910

Trade payables

Trade payables are non-interest bearing and are normally settled within a month.

Bills payables to banks

	Group	
	2020 RMB'000	2019 RMB'000
Bill payable 1	63,000	83,000
Bill payable 2	10,000	30,000
Bill payable 3	35,449	14,951
	108,449	127,951

Bills payables to banks have maturity periods ranging from 30 to 120 days.

- 1 Bill payable to bank amounting to RMB 63,000,000 (2019: RMB 83,000,000) is secured by bank deposits of Jinjiang Fookhing Zipper Co., Ltd, and certain land use rights and buildings owned by Jinjiang Jianxin Weaving Co., Ltd, located at Donghaian Development Zone, Shenuh Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party – Jinjiang Fuxing Dress Co., Ltd and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25. Trade and other payables (Continued)

2 Bill payable to bank amounting to RMB 10,000,000 (2019: RMB 30,000,000) is secured by bank deposits of Jinjiang Fuxing Dress Co., Ltd, and certain land use rights and buildings owned by Fulong Zipper and Weaving Co., Ltd, located at Donghaian Comprehensive Development Zone, Shenuh Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related parties – Mr. Hong Qing Liang (Executive Chairman and CEO) and Ms. Shi MeiMei.

3 Bill payable to bank amounting to RMB 35,449,000 (2019: RMB 14,951,000) is secured by a charge over a property (Unit 13 on 5th Floor) located at Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

Goldplan Corporation Limited is wholly-owned by Mr. Hong Qing Liang (the Group's Executive Chairman and CEO).

Amounts due to directors

These amounts are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

All trade and other payables are denominated in the functional currency of the respective entities as at 31 December 2020 and 2019.

26. Other liabilities

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Contract liabilities - Advances from customers	54,590	46,915	–	–
Accrued salary and bonuses	36,005	33,929	548	350
Deposit received	–	47,323	–	–
Other accruals	14,908	17,956	1,500	1,829
	105,503	146,123	2,048	2,179

Deposits received are rental deposits from tenants, and deposits received from potential buyers to secure the purchase of certain properties units from the intended disposal of the assets held for sale.

All other liabilities are denominated in the functional currencies of the respective entities as at 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

27. Loans and borrowings

	Group	
	2020 RMB'000	2019 RMB'000
Short-term bank loans:		
Loan 1	102,500	102,500
Loan 2	9,600	75,000
Loan 3	6,610	19,686
Loan 4	–	55,000
Loan 5	19,000	19,000
Loan 6	12,000	–
Total loans and borrowings	149,710	271,186

- 1 This short-term bank loan is secured by bank deposits of Jinjiang Fookhing Zipper Co., Ltd, and certain land use rights and buildings owned by Jinjiang Jianxin Weaving Co., Ltd, located at Donghaian Development Zone, Shenuh Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party Jinjiang Fuxing Dress Co., Ltd and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 2 This short-term bank loan is secured by certain land use rights and buildings owned by Jinjiang Fookhing Zipper Co., Ltd, located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a related party – Jinjiang Fuxing Dress Co., Ltd, and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 3 This short-term bank loan is secured by a charge over property (Unit 13 on 5th Floor) located at Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).
Goldplan Corporation Limited is wholly-owned by Mr. Hong Qing Liang (the Group's Executive Chairman and CEO).
- 4 This loan is secured by an investment property owned by Xiamen Fuxing Industrial Co., Ltd, located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, the PRC. This short-term loan bears an effective interest rate of 6.55% (2019: 6.55%) and has been fully repaid in 2020.
- 5 This loan is guaranteed by personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party – Mr. Wu Yuan Yang and corporate guarantee from an independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 6 This loan is secured by charge over property jointly owned by related parties Mr. Hong Qing Liang (Executive Chairman and CEO), Mr. Hong Peng You (Executive Director), Mr. Hong Shui Ku (Executive Director of Jinjiang Fookhing Zipper Co., Ltd), independent third party – Hong Qing Ke and Wu Jin Fan and bears an effective interest rate of 2.05% (2019: NA).

All loans and borrowings are denominated in the functional currencies of the respective entities as at 31 December 2020 and 2019. The short-term loans bear interest ranging from 2.1% to 7.4% (2019: 4.5% to 7.4%) and are repayable within 12 months.

On 23 July 2020, the Group entered into a mortgage agreement with Xiamen International Bank to pledge the assets held for sale (Note 22) as a security for a loan facility with credit limit of RMB78,180,000 and the facility is valid until 29 July 2023. This loan facility is unutilised at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. Deferred tax liabilities

Deferred tax as at 31 December relates to the following:

Group	Accelerated tax depreciation RMB'000	Revaluation of investment property RMB'000	Withholding tax on undistributed profits ⁽¹⁾ RMB'000	Total RMB'000
Deferred tax liabilities				
At 1 January 2019	9,035	13,316	9,204	31,555
(Credit)/Charge to profit or loss	–	(9,400)	314	(9,086)
At 31 December 2019	9,035	3,916	9,518	22,469
Credit to profit or loss	–	(3,916)	(261)	(4,177)
At 31 December 2020	9,035	–	9,257	18,292

¹ On 22 February 2008, the State Administration of Taxation of China issued a circular [2008] No.001, which states that distribution of dividends after 1 January 2008 from pre-2008 profits will be exempt from withholding tax on distribution to foreign investors. As a result, there should be no deferred tax liabilities arising from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required to the extent per SFRS(I) 1-12 on profits accumulated from 1 January 2008 onwards.

29. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Zippers

This operating segment is further sub-divided into 2 sub-segments as follows:

(a) Zipper Chains

The zipper chain consists of 2 strips of fabric tapes, with parallel rows of specially shaped nylon, metal or plastic teeth, as the case may be, either weaved on or punched onto adjacent edges of a fabric tape, thereby interlocking with each other to provide a firm grip and resulting in a zipper chain.

(b) Zipper Sliders

The zipper slider consists of a zinc zipper head and zipper pull tab which is subsequently affixed on the zipper chain, such that it moves along the rows of teeth, allowing the teeth to be fastened or separated, depending on the direction of the movement.

(ii) Processing

Processing represents colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. Segment information (Continued)

(iii) Trading

The trading segment represents trading of raw materials, including rubber thread, nylon fabric and nylon yarn.

(iv) Corporate

The corporate segment is involved in Group-level corporate services and treasury functions.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities are not disclosed as such separate financial information is not available but is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources to the operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	448,604	468,717	237,099	765,565
Hong Kong	249,304	271,987	1	1
	697,908	740,704	237,100	765,566

Non-current assets information presented above consist of property, plant and equipment, investment property, land use rights, intangible assets and prepayments as presented in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. Segment information (Continued)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the years ended 31 December 2020 and 2019.

Group	Zipper Chains RMB'000	Zipper Sliders RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
31 December 2020							
Revenue:							
Sales to external customers	325,748	73,581	249,304	49,275	—	(35,195)	697,908
Inter-segment sales	—	11,447	—	23,748	—	(35,195)	—
Total revenue	325,748	85,028	249,304	73,023	—	(35,195)	697,908
Results:							
Segment gross profit	9,993	3,858	5,163	(616)	—	—	18,398
Segment results	(35,140)	891	(8,550)	(10,465)	(77,496)	—	(130,760)
Interest income	123	912	—	12	24	—	1,071
Financial costs	(9,401)	—	(1,118)	(1,429)	(877)	—	(12,825)
Loss before income tax							
Income tax credits							
Net loss attributable to shareholders							
Other segment information							
Fair value loss on investment property	—	—	—	—	34,982	—	34,982
Fair value loss on assets held for sale	—	—	—	—	3,396	—	3,396
Impairment loss on property, plant and equipment	—	—	—	—	3,215	—	3,215
Loss on disposal	—	—	—	—	19,441	—	19,441
Depreciation and amortisation	17,262	3,261	1	12,120	1,950	—	34,594
Provision for social security contribution	1,614	(360)	—	576	—	—	1,830
Allowance for doubtful trade and other receivables	(1,211)	20,348	13,155	(803)	(2,905)	—	28,584
Allowance for obsolescence and slow-moving stocks	(39)	449	—	—	—	—	410
Write off of property, plant and equipment	—	—	—	86	—	—	86
Total assets	438,863	78,696	68,911	227,892	67,584	—	881,946
Total assets include:							
Capital expenditure for property, plant and equipment	5,039	461	—	1,709	—	—	7,209
Total liabilities	(251,915)	(38,070)	(42,720)	(63,449)	(1,068)	—	(397,222)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. Segment information (Continued)

Business segments (Continued)

	Group 31 December 2019	Zipper Chains RMB'000	Zipper Sliders RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
Revenue:								
Sales to external customers	328,697	82,780	271,987	57,240	—	—	(32,153)	740,704
Inter-segment sales	—	12,479	—	19,674	—	—	(32,153)	—
Total revenue	328,697	95,259	271,987	76,914	—	—	(32,153)	740,704
 Results:								
Segment gross profit	21,589	7,909	7,546	3,080	—	—	—	40,124
Segment results	3,473	1,289	5,891	(9,050)	(33,137)	—	—	(31,534)
Interest income	494	145	—	3	14	—	—	656
Financial costs	(9,049)	—	(1,193)	(2)	(4,720)	—	—	(14,964)
Loss before income tax								
Income tax credits								
Net loss attributable to shareholders								(38,859)
 Other segment information								
Fair value loss on investment property	—	—	—	—	—	37,600	—	37,600
Depreciation and amortisation	16,842	3,213	1	11,713	2,413	—	—	34,182
Write back of provision for social security contribution	(583)	(857)	—	(933)	—	—	—	(2,373)
Allowance for doubtful trade and other receivables	470	1,205	—	710	3,242	—	—	5,627
Allowance for advance to suppliers	113	449	—	(246)	—	—	—	316
Allowance for obsolescence and slow-moving stocks	(230)	2,500	—	—	—	—	—	2,270
Impairment loss on property, plant and equipment	—	—	—	—	2,153	—	—	2,153
Total assets	394,676	82,007	77,615	138,810	528,474	—	—	1,221,582
Total assets include:								
Capital expenditure for property, plant and equipment	15,939	5,953	—	1,377	12,390	—	—	35,659
Total liabilities	(305,964)	(51,087)	(35,429)	(73,473)	(132,737)	—	—	(598,690)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. Commitments

(a) Guarantees

At 31 December 2020, the Company has provided the following corporate guarantees at the end of the reporting period for banking facilities taken up by Fuxing HK:

- Bills payable to banks of RMB 35,449,000 (Note 25); and
- Short-term bank loans of RMB 6,610,000 (Note 27).

The financial effects relating to financial guarantee contracts issued by the Company are insignificant to the financial statements of the Company and therefore are not recognised.

No corporate guarantee as at 31 December 2019 as the Group has fully repaid the bills payable, bank overdraft and short-term bank loans. Thus, the guarantees were released.

(b) Capital commitments

	2020 RMB'000	2019 RMB'000
Commitments for the acquisition of property, plant and equipment	82,498	–
Prepayment (excluding value added tax)	35,356	–
Total cost of property, plant and equipment	117,854	–

31. Financial instruments and financial risks

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Note	Group	
		2020 RMB'000	2019 RMB'000
<i>Financial assets at amortised cost</i>			
Trade and other receivables	19	239,361	255,078
Advances to suppliers	20	128,435	68,255
Cash and cash equivalents	21	197,272	87,512
		565,068	410,845
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	25	119,631	154,381
Other liabilities	26	50,913	99,208
Bank borrowings, fixed interest rates	27	149,710	271,186
		320,254	524,775

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risks (Continued)

Financial instruments by category

		Company	
	Note	2020 RMB'000	2019 RMB'000
Financial assets at amortised cost			
Trade and other receivables	19	184,817	333,290
Cash and cash equivalents	21	175	378
		184,992	333,668
Financial liabilities at amortised cost			
Trade and other payables	25	3,050	1,910
Other liabilities	26	2,048	2,179
		5,098	4,089

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored closely on an ongoing basis.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per SFRS (I) 9's presumption.

The Group has not rebutted the presumption included in SFRS(I) 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risks (Continued)

Credit risk (Continued)

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risk ^(Note 1)	12-months ECL
2	Non-significant increase in credit risk since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition ^(Note 2) or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired ^(Note 3)	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount ^(Note 4)	Written-off

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract; such as a default or being more than 90 days from invoice date;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

Credit risk concentration profile

The Group is principally engaged in the production and sale of zipper sliders, zipper chains, provision of colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn. The Group is also engaged in the trading of raw materials in Hong Kong. The products are sold to a diversified customer base which is in numerous industry sectors. The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

By country:	Group			
	2020		2019	
	RMB'000	% of total	RMB'000	% of total
People's Republic of China	151,160	69	150,111	66
Hong Kong	66,693	31	76,147	34
	217,853	100	226,258	100

At the end of the reporting period, approximately 63% (2019: 58%) of the Group's trade receivables were due from 6 (2019: 6) major customers who are mainly trading companies located in the PRC and Hong Kong.

Trade receivables and bill receivables (Note 19)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables and bill receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables and bill receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 1 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries which its customers operate in.

Trade receivables and bill receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there is no reasonable expectations for recovering the outstanding balances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Trade receivables and bill receivables (Note 19) (Continued)

The loss allowance for trade receivables and bill receivables are determined as follows:

	Current	1 to 90 days	Past due 91 to 180 days	More than 180 days	Total
31 December 2020					
Expected credit loss rates	0%	0%	17%	89%	
Trade receivables (gross)	52,351	88,920	79,685	91,926	312,882
Bill receivables (gross)	15,387	–	–	–	15,387
Loss allowance (including credit impaired)	–	–	13,155	81,874	95,029
31 December 2019					
Expected credit loss rates	0%	0%	0%	67%	
Trade receivables (gross)	69,828	78,591	45,744	98,540	292,703
Bill receivables (gross)	23,103	–	–	–	23,103
Loss allowance (including credit impaired)	–	–	–	66,445	66,445

Other receivables (Note 19) and advances to suppliers (Note 20)

As of 31 December 2020, the Group recorded other receivables and advances to suppliers amounted to RMB 7,070,000 (2019: RMB 6,667,000) and RMB 133,557,000 (2019: RMB 74,603,000), respectively. The Group assessed on those suppliers' credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets, except for those with objective evidence which indicated that financial assets were credit-impaired. Accordingly, the Group measured the impairment loss allowance pursuant to the abovementioned credit risk grading categories and determined that a loss allowances of RMB 950,000 and RMB 5,122,000 (2019: RMB 950,000 and RMB 6,348,000) on other receivables and advances to suppliers respectively were made.

Amount due from subsidiaries (Note 19)

As of 31 December 2020, the Company recorded amount due from subsidiaries of RMB 571,454,000 (2019: RMB 475,979,000) consequent to an extension of loans to the subsidiaries. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2020. The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk other than the credit impaired amount of RMB 386,639,000 (2019: RMB 142,691,000).

31. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Amount due from subsidiaries (Note 19) (Continued)

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables, bill receivables, other receivables and prepayments are as follows:

Internal credit risk grading	Group			Company		
	← Trade receivables →			Other receivables and prepayments		
	Note (i)	Category 4	Total	Note (i)	Category 2	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance						
Balance at 1 January 2019	–	60,818	60,818	–	6,982	6,982
Financial assets repaid	–	(2,619)	(2,619)	–	–	–
Impairment loss recognised	–	8,246	8,246	–	316	316
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2019	–	66,445	66,445	–	7,298	7,298
Financial assets repaid	–	(9,199)	(9,199)	–	–	–
Impairment loss recognised/ (reversal)	–	37,783	37,783	–	(1,226)	(1,226)
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2020	–	95,029	95,029	–	6,072	6,072
Gross carrying amount						
At 31 December 2019	226,258	66,445	292,703	23,103	83,947	333,290
At 31 December 2020	217,853	95,029	312,882	15,387	143,878	184,817
Net carrying amount						
At 31 December 2019	226,258	–	226,258	23,103	76,649	333,290
At 31 December 2020	217,853	–	217,853	15,387	137,806	184,817

Internal credit risk grading	Group			Company		
	← Trade receivables →			Other receivables and prepayments		
	Note (i)	Category 4	Total	Note (i)	Category 2	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance						
Balance at 1 January 2019	–	60,818	60,818	–	6,982	6,982
Financial assets repaid	–	(2,619)	(2,619)	–	–	–
Impairment loss recognised	–	8,246	8,246	–	316	316
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2019	–	66,445	66,445	–	7,298	7,298
Financial assets repaid	–	(9,199)	(9,199)	–	–	–
Impairment loss recognised/ (reversal)	–	37,783	37,783	–	(1,226)	(1,226)
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2020	–	95,029	95,029	–	6,072	6,072
Gross carrying amount						
At 31 December 2019	226,258	66,445	292,703	23,103	83,947	333,290
At 31 December 2020	217,853	95,029	312,882	15,387	143,878	184,817
Net carrying amount						
At 31 December 2019	226,258	–	226,258	23,103	76,649	333,290
At 31 December 2020	217,853	–	217,853	15,387	137,806	184,817

Note (i) For trade receivables, the Group uses the practical expedient under SFRS(i) 9 in the form of an allowance matrix to measure the ECL, where then loss allowance is equal to lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risk (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and funding flexibility through the use of bank loans and bills payables when necessary. At the end of the reporting period, approximately 100% (2019: 100%) of the Group's borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less	
	2020	2019
	RMB'000	RMB'000
Financial assets:		
Trade and other receivables	239,361	255,078
Advances to suppliers	128,435	68,255
Cash and short-term deposits	197,272	87,512
Total undiscounted financial assets	565,068	410,845
Financial liabilities:		
Trade and other payables	119,631	154,381
Other liabilities	105,503	146,123
Loans and borrowings	149,710	271,186
Total undiscounted financial liabilities	374,844	571,690
Total net undiscounted financial assets/(liabilities)	190,224	(160,845)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

<u>Company</u>	<u>One year or less</u>	
	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Financial assets:		
Trade and other receivables	184,817	333,290
Cash and short-term deposits	175	378
Total undiscounted financial assets	184,992	333,668
Financial liabilities:		
Amounts due to directors (non-trade)	3,050	1,910
Other liabilities	2,048	2,179
Total undiscounted financial liabilities	5,098	4,089
Total net undiscounted financial assets	179,894	329,579

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their short-term bank loans.

The Group's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if RMB interest rates had been 100 (2019: 100) basis points lower/higher and all other variables were held constant, the Group's (loss)/profit before income tax would have been RMB 1,497,000 (2019: RMB 2,712,000) higher/lower, arising mainly as a result of lower/higher interest expenses/income on floating rate cash at bank balances, bills payables to banks and floating rate bank loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility as in prior financial years.

Foreign currency risk

The Group collects most of its revenue and incurs most of its expenditures in RMB. Bank balances and cash of the Group are mainly denominated in RMB. The Group currently does not have a foreign currency hedging policy as management considers the foreign exchange risk exposure of the Group to be limited. However, the Group monitors currency risk exposure by periodically reviewing foreign currency exchange rates and will consider hedging significant foreign currency exposure should the need arise.

The Group's operations are primarily conducted in the PRC in RMB. Currently, the PRC government imposes control over foreign currencies, RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. Financial instruments and financial risk (Continued)

Foreign currency risk (Continued)

Payments for imported materials or services, which are outside the PRC, are subject to the availability of foreign currency which depends on the foreign currency denominated earnings of the enterprises. Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions and is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into other currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's (loss)/profit before tax to a reasonably possible change in the HKD exchange rates against RMB, with all other variables held constant.

	Group		Company	
	2020	2019	2020	2019
	(Loss)/profit before income tax		(Loss)/profit before income tax	
	RMB'000	RMB'000	RMB'000	RMB'000
HKD – strengthened 5% (2019: 5%)	(9)	(17)	(106)	(3,418)
– weakened 5% (2019: 5%)	9	17	106	3,418

32. Fair value of assets and liabilities

The fair values of applicable assets and liabilities are determined as follows:

- (a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active liquid markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- (b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities (excluding derivative instruments) are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets.
- (c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Fair value of assets and liabilities (Continued)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

<u>Recurring Fair Value Measurement</u>	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group			
2020			
Non-financial assets:			
Assets held for sale - Commercial	–	–	40,370
2019			
Non-financial assets:			
Investment property - Commercial	–	–	472,900

Movements in Level 3 assets and liabilities subject to recurring fair value measurements

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Investment property	
	2020 RMB'000	2019 RMB'000
At 1 January	472,900	510,500
Fair value loss for financial year included in profit or loss	(35,468)	(37,600)
Reclassified to assets held for sale	(437,432)	–
At 31 December	–	472,900

The amount of total loss for the financial year included in profit or loss under 'Other expenses' that is attributable to the change in unrealised loss relating to the commercial investment property is RMB 35,468,000 (2019: loss of RMB 37,600,000).

	Assets held for sale	
	2020 RMB'000	2019 RMB'000
Reclassified from property, plant and equipment	24,700	–
Reclassified from investment property	437,918	–
Disposal	(418,852)	–
Fair value loss for financial year included in profit or loss	(3,396)	–
At 31 December	40,370	–

The amount of total loss for the financial year included in profit or loss under 'Other expenses' that is attributable to the change in unrealised loss relating to assets held for sale is RMB 2,909,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Fair value of assets and liabilities (Continued)

Valuation policies and procedures

The Group's Chief Financial Officer ("CFO") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy to engage external valuation experts to perform all significant financial reporting valuations using valuation models and significant unobservable inputs. The CFO is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS (I) 13 *Fair Value Measurement* guidance. He also reviews the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

At least on an annual basis, the CFO evaluates all significant changes in fair value measurements for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources, if necessary and appropriate.

The analysis and results of the external valuations and then reported to the Audit Committee on a quarterly basis who then performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval. During the financial year, there is no change in the valuation technique of the various classes of financial instruments.

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

As disclosed in Note 24(a), PRC subsidiaries are required by the relevant law and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, other liabilities and loans and borrowings, less cash and unpledged fixed deposits. Capital includes equity attributable to the owners of the Company less restricted statutory reserve fund.

	Group	
	2020 RMB'000	2019 RMB'000
Trade and other payables	119,631	154,381
Other liabilities	105,503	146,123
Loans and borrowings	149,710	271,186
Less: Cash and unpledged fixed deposits	<u>(197,272)</u>	<u>(87,512)</u>
Net debt	<u>177,572</u>	<u>484,178</u>
Equity attributable to owners of the Company	484,275	622,500
Less: Reserve fund	<u>(66,015)</u>	<u>(66,015)</u>
Total capital	<u>418,260</u>	<u>556,485</u>
Capital and net debt	<u>595,832</u>	<u>1,040,663</u>
Gearing ratio	0.30	0.47

34. Development of COVID-19 outbreak and its corresponding impact to the Group/Company

COVID-19 outbreak has brought about an unprecedented challenge for many entities, with increased uncertainty in the global economy. As the situation is still evolving, the full effect of the outbreak is still uncertain and the Group is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group continues to monitor and evaluate any possible impact on the Group's business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation. Based on management's latest assessment, there is no indicator that the going concern assumption used by the Group in preparing the financial statement is inappropriate.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2021

Authorised share capital	:	S\$200,000,000
Issued and fully-paid up capital	:	S\$152,814,000 (equivalent to RMB 772,574,000)
No. of shares issued (excluding Treasury shares)	:	17,205,438
Class of shares	:	Ordinary share of S\$5 each
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	109	9.07	4,659	0.03
100 - 1,000	707	58.87	328,120	1.91
1,001 - 10,000	325	27.06	927,638	5.39
10,001 - 1,000,000	58	4.83	2,660,331	15.46
1,000,001 AND ABOVE	2	0.17	13,284,690	77.21
TOTAL	1,201	100.00	17,205,438	100.00

TREASURY SHARES AND SUBSIDIARY HOLDINGS

Number of treasury shares held	:	277,720
Percentage of treasury shares held against total number of issued shares (excluding treasury shares)	:	1.61%
Number of subsidiary holdings	:	NIL

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HONG QINGLIANG	10,068,640	58.52
2	DBS NOMINEES (PRIVATE) LIMITED	3,216,050	18.69
3	UOB KAY HIAN PRIVATE LIMITED	617,240	3.59
4	KHOE HONG OAN	220,500	1.28
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	130,418	0.76
6	WONG PANG FEI	115,384	0.67
7	SHI NENGYI	99,680	0.58
8	WU SHU MAN	72,600	0.42
9	PHILLIP SECURITIES PTE LTD	70,440	0.41
10	XU PENG FENG	70,000	0.41
11	RAFFLES NOMINEES (PTE.) LIMITED	67,140	0.39
12	ONG SWEE LOONG	64,000	0.37
13	CAI MINGXIN	62,240	0.36
14	KWEK LAY HAR	55,460	0.32
15	NUN KWONG HOLDINGS PTE LTD	45,760	0.27
16	QIU JIAN SHENG	42,820	0.25
17	TAN AH GUAN	39,000	0.23
18	CITIBANK NOMINEES SINGAPORE PTE LTD	38,480	0.22
19	NANYANG GUM BENJAMIN MANUFACTURING (PTE) LTD	38,040	0.22
20	LEOW KIM HOW	37,400	0.22
TOTAL		15,171,292	88.18

STATISTICS OF SHAREHOLDINGS

As at 17 March 2021

SUBSTANTIAL SHAREHOLDERS (AS AT 17 MARCH 2021)

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Hong Qing Liang	10,068,640	58.52	–	–
CIM Investment Management Limited ⁽¹⁾	–	–	2,942,560	17.10
Santa Lucia Asset Management Pte Ltd ⁽²⁾	–	–	2,942,560	17.10
Paul Dumond ⁽³⁾	–	–	2,942,560	17.10
Rupert James Philip Morton ⁽⁴⁾	–	–	2,942,560	17.10

Notes:

1. CIM Investment Management Limited is deemed interested in the Company's shares held by DBS Bank Ltd. (for the accounts of CIM Investment Fund ICAV and CIM Discovery Fund Ltd and Van Biema Select Pan Asia Fund I LP) and its capacity as investment manager of CIM Investment Fund ICAV, CIM Discovery Fund Ltd and Van Biema Select Pan Asia Fund I LP.
2. Santa Lucia Asset Management Pte Ltd, as the delegated sub investment manager of CIM Investment Fund ICAV, CIM Discovery Fund Ltd and Van Biema Select Pan Asia Fund I LP (collectively, the "Funds") has a deemed interest by virtue Section 7(6) of the Companies Act in the Company's shares held by the Funds.
3. Paul Dumond, CEO of CIM Investment Management Ltd, is deemed interested in the Company's shares held by DBS Bank Ltd by virtue of his managerial control of CIM Investment Management Ltd.
4. Rupert James Philip Morton has an ownership interest in Santa Lucia Asset Management Pte Ltd and CIM Investment Management Ltd as sub manager and investment manager respectively, of CIM Investment Fund ICAV, CIM Discovery Fund Ltd and Van Biema Select Pan Asia Fund I LP and as such, has a deemed interest in the Company's shares by virtue of Section 7(4) of the Companies Act.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Approximately 21.00% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting (the “**Notice**”) of **Fuxing China Group Limited** has been made available on SGXNet. A printed copy of this Notice will NOT be despatched to Members/ Depositors.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of **Fuxing China Group Limited** (the “**Company**”) will be held by way of electronic means on Thursday, 29 April 2021 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2020 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Bye-law 86 of the Company’s Bye-laws:

Dr Ho Kah Leong **(Resolution 2)**
Mr Qiu Qing Yuan **(Resolution 3)**

[See Explanatory Note (i)]

3. To approve the payment of Directors’ fees of S\$95,232 for the year ending 31 December 2021, payable half-yearly in arrears. (2020: S\$95,232). **(Resolution 4)**
4. To re-appoint Mazars LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following as Ordinary Resolutions:

6. SHARE ISSUE MANDATE

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be empowered to

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
(ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Bye-Laws of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 6)

7. That subject to and contingent upon the passing of Resolution 2 above, pursuant to Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the continued appointment of Dr Ho Kah Leong as an Independent Director be hereby approved; and the authority conferred by this Resolution shall continue in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.

[See Explanatory Note (i)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

8. That subject to and contingent upon the passing of Resolution 7, pursuant to Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the continued appointment of Dr Ho Kah Leong as an Independent Director be approved by shareholders (excluding Directors and Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST)) and the authority conferred by this Resolution shall continue in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.

[See Explanatory Note (i)]

(Resolution 8)

9. That, subject to and contingent upon the passing of Resolution 3 above, pursuant to Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the continued appointment of Mr Qiu Qing Yuan as an Independent Director be hereby approved; and the authority conferred by this Resolution shall continue in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.

[See Explanatory Note (i)]

(Resolution 9)

10. That, subject to and contingent upon the passing of Resolution 9, pursuant to Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the continued appointment of Mr Qiu Qing Yuan as an Independent Director be approved by shareholders (excluding Directors and Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST)) and the authority conferred by this Resolution shall continue in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.

[See Explanatory Note (i)]

(Resolution 10)

By Order of the Board

Josephine Toh
Company Secretary
Singapore, 13 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolutions proposed in Resolutions 7 to 10 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST will provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the Directors and the Chief Executive Officer of the Company and their respective associates (as defined in the Listing Manual of the SGX-ST).

The Company is seeking to obtain shareholders' approval for Dr Ho Kah Leong and Mr Qiu Qing Yuan's continued appointment as Independent Directors prior to 1 January 2022, as they have served for more than nine years on the Board of the Company.

If such requisite approval is not obtained prior to 1 January 2022, Dr Ho Kah Leong and Mr Qiu Qing Yuan will be regarded as non-independent as of and from 1 January 2022 and will be re-designated as Non-Independent and Non-Executive Directors. The Nominating Committee and the Board will then have to review the Board and Board Committees' composition to ensure the compliance with the Code of Corporate Governance 2018 and the relevant listing rules.

The requisite approval, if obtained, would remain in force until the earlier of the following: (i) the respective retirement or resignation of Dr Ho Kah Leong and Mr Qiu Qing Yuan; or (ii) the conclusion of the third Annual General Meeting following the passing of the relevant Ordinary Resolutions.

Subject to passing of Resolutions 2, 7 and 8 above, Dr Ho Kah Leong will, upon re-election as an Independent Director of the Company, remain as the Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and will be considered independent. Detailed information of Dr Ho required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report

Subject to passing of Resolutions 3, 9 and 10 above, Mr Qiu Qing Yuan will, upon re-election as an Independent Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Remuneration Committee and Audit Committee and will be considered independent. Detailed information of Mr Qiu required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards any subsequent bonus issue, consolidation or subdivision of shares.

Participation in the Annual General Meeting ("AGM") via "live" webcast or "live" audio feed

1. As part of the Company's efforts to minimise the risk of community spread of COVID-19, the AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and Members/Depositors will NOT be able to attend the AGM in person. Printed copies of all documents relating to the business of AGM, including this Notice of AGM will not be sent to Members/Depositors. Instead, this Notice of AGM will be published on SGXNet.

All Members/Depositors or their corporate representatives (in the case of Members/Depositors which are legal entities) will be able to participate in the AGM proceedings by accessing a "live" webcast or listening to a "live" audio feed.

To do so, Members/Depositors are required to pre-register their participation in the AGM ("Pre-registration") via email to oilinfxcg@gmail.com by **2.00 p.m. on 27 April 2021** ("Registration Deadline") for verification of their status as Members/Depositors (or the corporate representatives of such Members/Depositors).

2. Upon successful verification, each such Member/Depositor or its corporate representative will receive an email by **2.00 p.m. on 28 April 2021**. The email will contain instructions to access the "live" webcast or "live" audio feed of the AGM proceedings. Members/Depositors or their corporate representatives must not forward the email to other persons who are not Members/Depositors and who are not entitled to participate in the AGM proceedings. Members/Depositors or their corporate representatives who have pre-registered by the Registration Deadline in accordance with paragraph 1 above but do not receive an email by **5.00 p.m. on 28 April 2021** may contact the Company for assistance at +65 9117 5362.

NOTICE OF ANNUAL GENERAL MEETING

SUBMISSION OF PROXY FORMS TO VOTE

3. Members/Depositors may only exercise their voting rights at the AGM via proxy voting (see paragraphs 4 to 6 below).
4. Members/Depositors who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy to do so on their behalf, indicating how the Member/Depositor wished to vote for or vote against or abstain from voting on each resolution. The Chairman of the AGM, as proxy, need not be a member/depositor of the Company.
5. If the Member/Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
6. The duly executed proxy form must be deposited at the office of the **Singapore Share Transfer Agent at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623** or sent by email to oilinfxcg@gmail.com not less than forty-eight (48) hours before the time appointed for the holding of the AGM.
7. Please note that Members/Depositors will not be able to vote through the “live” webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.
8. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **2.00 p.m. on 19 April 2021**.

Submission of questions prior to the AGM

9. Members/Depositors may submit questions related to the resolutions to be tabled at the AGM via email to oilinfxcg@gmail.com so that they may be addressed before or during the AGM proceedings. All questions must be submitted by **2.00 p.m. on 22 April 2021**.
10. The Company will endeavour to address relevant and substantial questions (as may be determined by the Company in its sole discretion) received either before or during the AGM. The Company will publish the minutes of the AGM on SGXNet within one month after the date of AGM.

Personal data privacy:

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member/Depositor of the Company consents to the collection, use and disclosure of the Member's/Depositor's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to Members/Depositors (or their corporate representatives in the case of Members/Depositors which are legal entities) to the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Members/Depositors received before the AGM and if necessary, following up with the relevant Members/Depositors in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

CORPORATE INFORMATION

Board of Directors

Hong Qing Liang (Executive Chairman &
Chief Executive Officer)
Hong Peng You (Executive Director)
Ho Kah Leong (Lead Independent Director)
Lim Cheng Kee (Independent Director)
Qiu Qing Yuan (Independent Director)

Audit Committee

Ho Kah Leong (Chairman)
Lim Cheng Kee
Qiu Qing Yuan

Remuneration Committee

Lim Cheng Kee (Chairman)
Ho Kah Leong
Qiu Qing Yuan

Nominating Committee

Qiu Qing Yuan (Chairman)
Lim Cheng Kee
Ho Kah Leong
Hong Qing Liang

Company Secretary

Josephine Toh

Assistant Secretary

Conyers Corporate Services (Bermuda) Limited

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

China Headquarter

Hangbian Industrial Area, Longhu Town
Jinjiang City, Fujian Province, The PRC
Tel: (86) 595-85287799
Fax: (86) 595-85299317

Auditors

Mazars LLP
135 Cecil Street
#10-01
Singapore 069536

Partner-in-charge
Lai Keng Wei
(since financial year ended 31 December 2017)

Bermuda Share Registrar

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Principal Bankers

China CITIC Bank
China Construction Bank
Industrial and Commercial Bank of China Limited
Fujian Jinjiang Agricultural Bank – Longhu Branch

Legal Counsel

Chancery Law Corporation
138 Robinson Road
#26-03 Oxley Tower
Singapore 068906



Fuxing China Group Limited

SYMBOLIC BRAND OF CHINA