ANNUAL REPORT 2017

福兴集团
FUXING GROUP

Fuxing China Group Limited

Contents

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, 361o, 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.

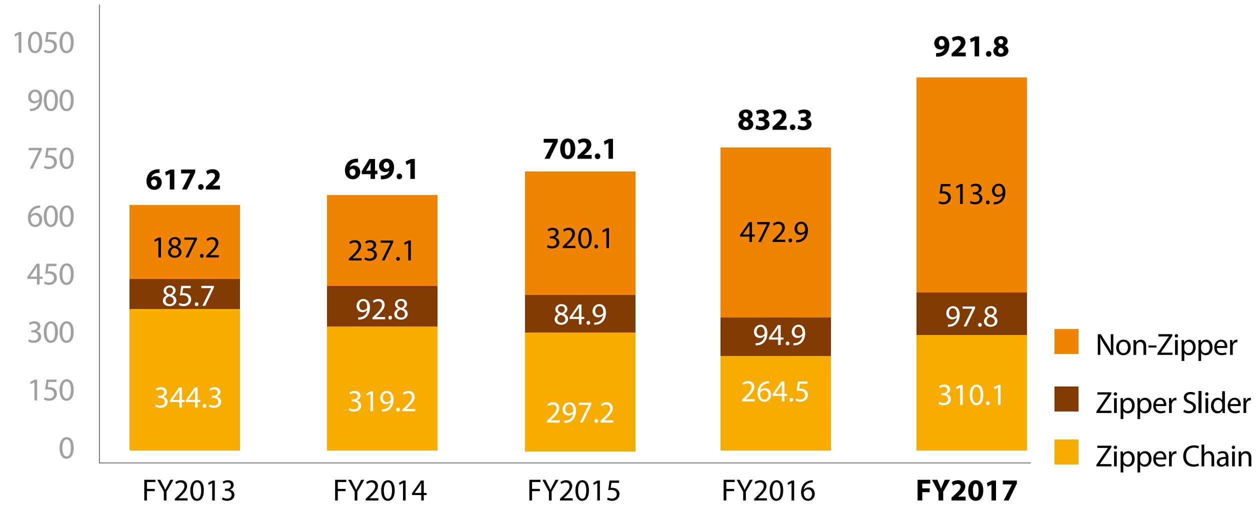
More notably, in 2008, Fuxing China was named one of the 200 companies in Forbes Asia's Fourth Annual Best Under a Billion List, which focuses on Asia Pacific companies with under $1 billion in sales.

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

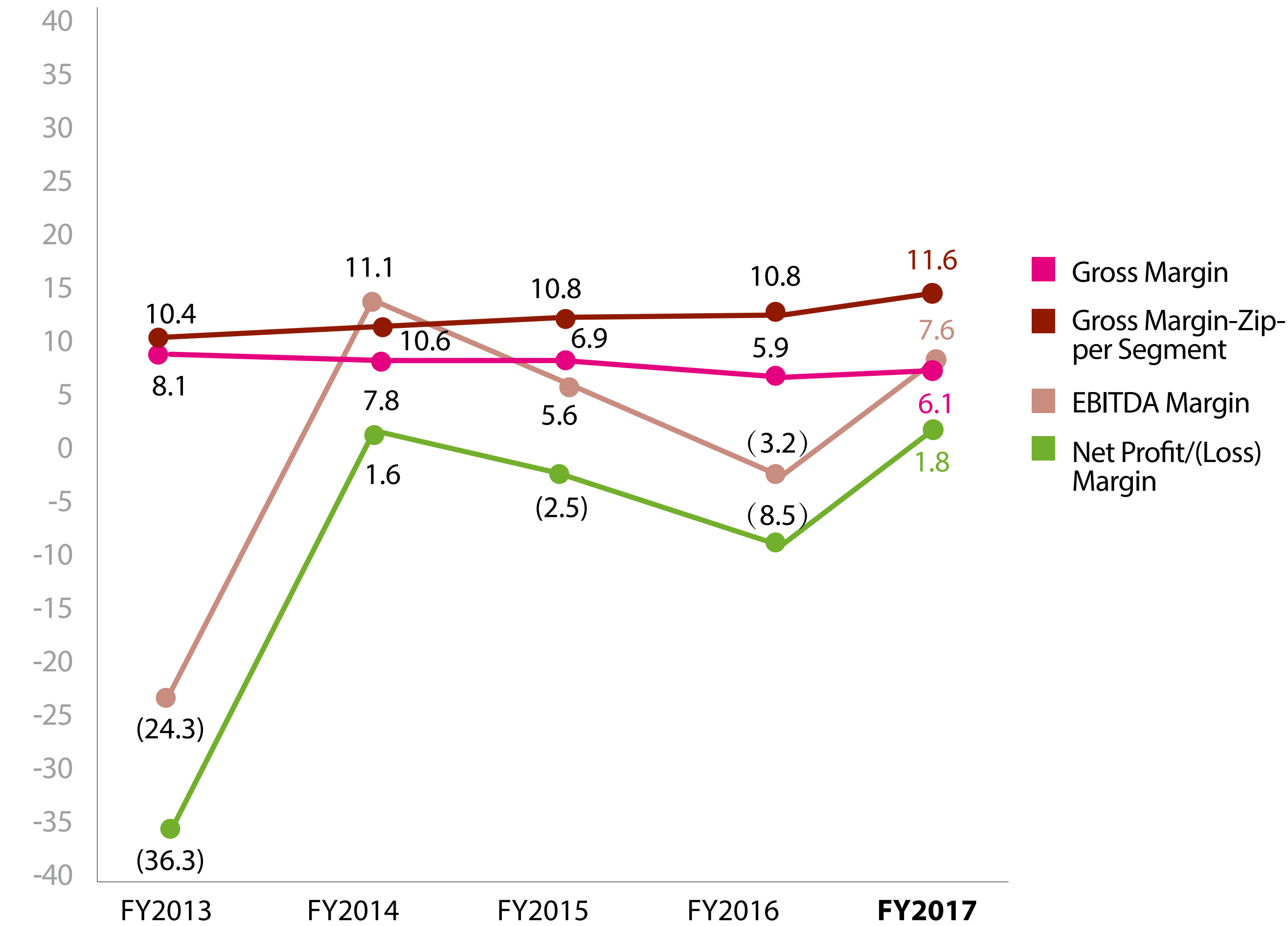
Revenue Breakdown

RMB' million



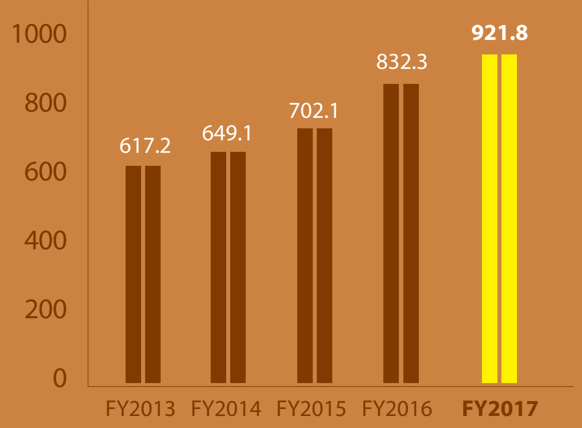
Margin Trends

%

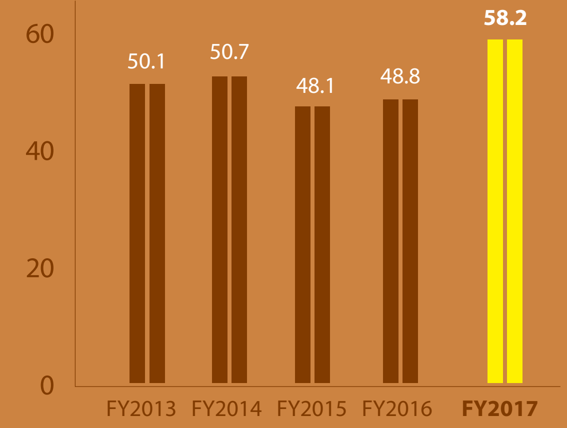


Performance Benchmarks at a Glance

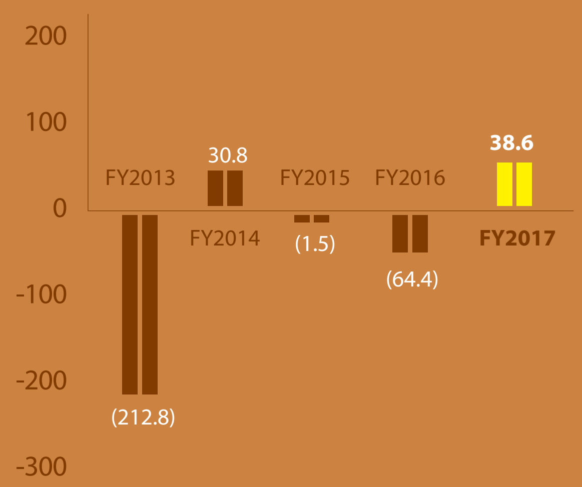
Revenue
RMB' million



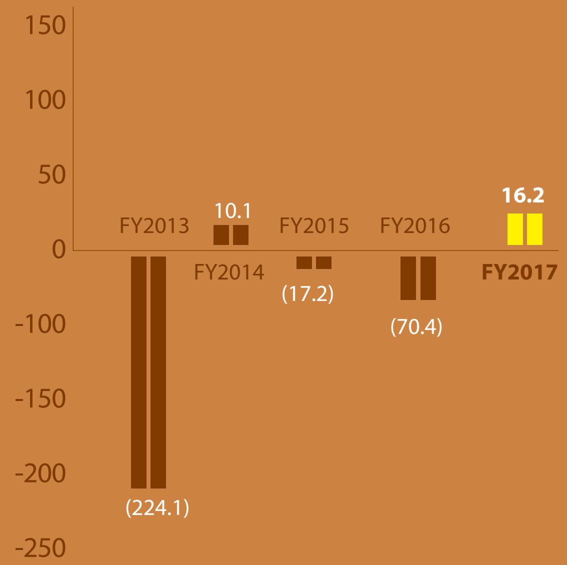
Gross Profit
RMB' million



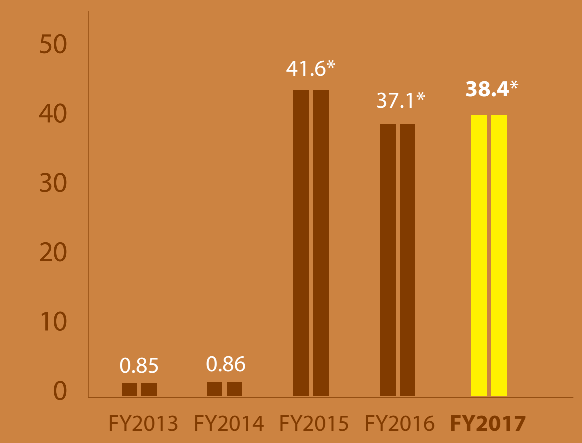
Profit/(Loss)from Operations
RMB' million



Net Profit/(Loss)
RMB' million

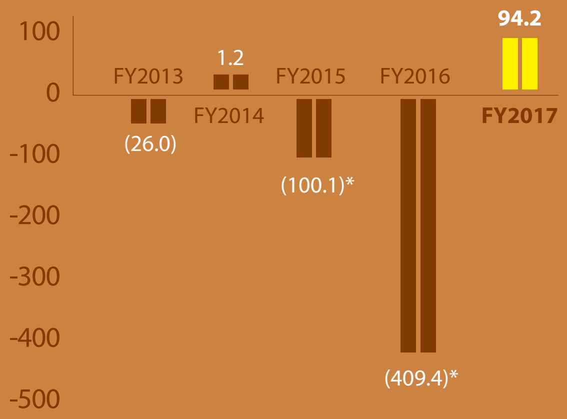


NAV Per Share
RMB



Note:
*After the completion of share consolidation of 50 ordinary shares into 1 ordinary share

Earnings/(Loss) Per Share
RMB cents



Note:
*After the completion of share consolidation of 50 ordinary shares into 1 ordinary share

5 Years Financial Summary

GROUP BALANCE SHEET	2017	2016	2015	2014	2013
As At 31 December (RMB'000)					
Property, plant and equipment	262,571	241,313	285,159	323,935	324,850
Other non-current assets	528,357	506,177	409,987	331,854	272,449
Current assets	631,270	691,470	772,871	772,405	677,722
Current liabilities	(732,621)	(778,592)	(691,496)	(629,322)	(492,303)
Net current assets	(101,351)	(87,122)	81,375	143,083	185,419
Non-current liabilities	(28,400)	(22,442)	(61,031)	(59,758)	(52,676)
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	(104,989)	(128,240)	(50,676)	(27,049)	(36,124)
Total equity	661,177	637,926	715,490	739,117	730,042

GROUP PROFIT & LOSS	2017	2016	2015	2014	2013
Year Ended (RMB'000)					
Revenue	921,754	832,346	702,093	649,088	617,207
Gross profit	58,221	48,815	48,124	50,724	50,085
Other operating income	31,038	25,285	16,915	33,676	29,908
Earnings before interest, tax, depreciation & amortisation (EBITDA)	70,030	(26,998)	39,239	71,795	(149,895)
Depreciation and amortisation	(30,363)	(35,405)	(38,934)	(38,939)	(60,818)
Interest expense	(14,229)	(14,176)	(13,863)	(11,935)	(7,895)
Profit/(Loss) from operations	38,632	(64,446)	(1,460)	30,783	(212,754)
Profit/(Loss) before income tax	25,438	(76,579)	(13,558)	20,921	(218,608)
Income tax credit/(expense)	(9,224)	6,142	(3,667)	(10,782)	(5,505)
Profit/(Loss) for the year	16,214	(70,437)	(17,225)	10,139	(224,113)

ANALYSIS (%)	2017	2016	2015	2014	2013
Year					
Gross profit margin-zipper segment	11.6%	10.8%	10.8%	10.6%	10.4%
Gross profit margin	6.3%	5.9%	6.9%	7.8%	8.1%
PBT margin	2.8%	(9.2%)	(1.9%)	3.2%	(35.4%)
Revenue growth	10.7%	18.6%	8.2%	5.2%	8.5%
Operating profit growth	NM	NM	NM	NM	NM
Net profit growth	NM	NM	NM	NM	NM

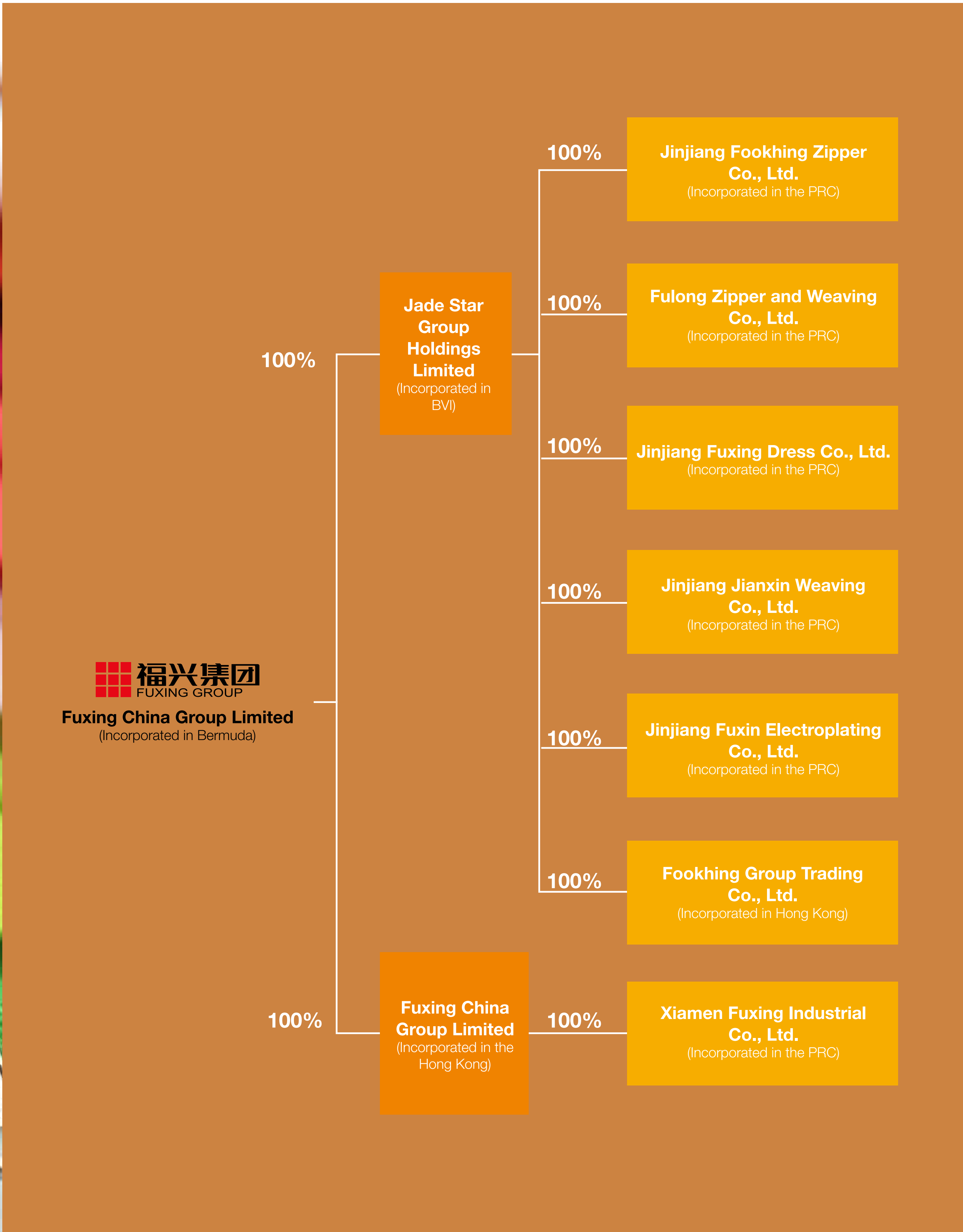
Note:
NM: Not meaningful.

PER SHARE DATA	2017	2016	2015	2014	2013
(RMB cents, unless otherwise stated)					
Earnings/(Loss) (basic and fully diluted)	94.2 (2)	(409.4) (2)	(100.1) (2)	1.2	(26.0)
Net asset value	3,842.8 (2)	3,707.8 (2)	4,158.5 (2)	85.9	84.9
Number of shares used in the above computation ('000)(1)	17,205 (2)	17,205 (2)	17,205 (2)	860,272	860,272

Notes:
(1) Number of shares were calculated on weighted average.
(2) After the completion of share consolidation of 50 ordinary shares into 1 ordinary share.

FINANCIAL RATIOS	2017	2016	2015	2014	2013
Current ratio (times)	0.9	0.9	1.1	1.2	1.4
Acid-test ratio	0.8	0.8	1.0	1.1	1.2
Average receivable turnover (days)	100	114	135	130	111
Average payables turnover (days)	3	4	4	4	7
Average inventory turnover (times)	24	27	35	40	39
Return on equity (%)	2.5%	(11.0%)	(2.4%)	1.4%	(30.7%)
Return on assets employed (%)	1.1%	(4.9%)	(1.2%)	0.7%	(17.6%)
Debt/Equity ratio	49.4%	56.6%	43.6%	34.4%	19.6%
Interest cover (times)	2.79	(4.40)	0.02	2.8	(26.7)

Group Structure



Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the results of Fuxing China Group Limited ("Fuxing" or together with its subsidiaries, the "Group") for the financial year ended 31 December 2017 ("FY2017") which recorded a profit before tax of RMB25.4 million compared to a loss in the previous corresponding year. The Group's efforts on increasing sales in all its business segments had paid off notwithstanding the Group continued to operate under a highly competitive environment with razor thin profit margins.

Review of Financial Performance

The Group's revenue increased by RMB 89.4 million (or 11%) to RMB 921.8 million. This was mainly due to the increase in sales of the Group's Zipper segment (RMB 48.5 million), Trading segment (RMB 36.4 million), and Processing segment (RMB 3.2 million). A small RMB 0.1 million revenue was recorded under rental income, following the completion of the construction of the Group's Xiamen Headquarters ("HQ Project"). The increase in revenue of the Group's Zipper segment and Processing segment in FY2017 was mainly due to the increase in sales volume as a result of better quality achieved following the partial automation of the Group's plant and machinery in its production processes.

The Group's gross profit increased by RMB 9.4 million (or 19%) to RMB 58.2 million, mainly due to the increase in revenue from the Group's Zipper segment and Trading segment. Average gross profit margin increased by a marginal 0.4 percentage point to 6.3% mainly due to the increase in gross profit margin from the Group's Zipper segment in FY2017. This was due to lower production costs following the partial automation of the Group's plant and machinery.

General and administrative expenses decreased by RMB 60.5 million (or 64%) to RMB 33.7 million. The decrease was mainly due to a few factors as mentioned below. Doubtful trade receivables of RMB 0.3 million was written back in FY2017 as a result of settlement of outstanding balance by customers while allowance for doubtful trade receivables amounted to RMB 13.2 million was provided in FY2016. Furthermore, allowance for doubtful other receivables due from a former subsidiary which amounted to RMB16.0 million was provided in FY2016. The amount was subsequently received and the allowance was written back and included in other income in FY2017. In addition, RMB16.4 million of the Group's old plant and machineries was written off after the successful installation of its automated machineries in FY2016 while there was no such written off in FY2017. As such, depreciation decreased by RMB3.9 million in FY2017 arising from the reduction in plant and machineries. Salaries and benefits decreased by RMB4.2 million mainly due to the reduced number in administrative staff in FY2017.

Other expenses decreased by RMB27.1 million to RMB11.0 million. This was mainly due to fair value loss of RMB37.0 million in the valuation of investment property of the Group's HQ Project in FY2016.

Other income increased by RMB 5.8 million to RMB 31.0 million. Other income in FY2017 consisted mainly the RMB 13.9 million fair value gain arising from valuation of the Group's HQ Project and the reversal of doubtful other receivables as a result of recovery of RMB 16 million due from a former subsidiary.

As a result of the above mentioned factors, the Group recorded a profit after tax of RMB16.2 million.

Review of Financial Position

As at 31 December 2017, non-current assets amounted to RMB 790.9 million comprising property, plant and equipment, investment property, land use rights, and prepayment.

The Group's property, plant and equipment amounted to RMB 262.6 million, an increase of RMB 21.3 million compared to RMB 241.3 million as at 31 December 2016. The increase was mainly due to the RMB36.5 million transfer of 24/F and 25/F of the Group's HQ Project (which was intended for corporate office's usage), from investment property to property, plant and equipment after the completion of construction.

As at 31 December 2017, the investment property amounted to RMB498.5 million, an increase of RMB22.4 million compared to RMB476.1 million as at 31 December 2016. The investment property represented the Group's HQ Project at fair value, based on valuation performed as at 31 December 2017 and 31 December 2016. The increase in investment property was due to the recognition of the construction costs incurred and valuation gain on investment properties of RMB 13.9 million arising from an independent valuation of the investment property based on the market comparison approach. Legal completion of the HQ Project was obtained in the last quarter of FY2017.

The decrease in land use rights was due to the amortization expenses.

The prepayment balance in FY2017 represented the deposits paid for purchases of machinery.

As at 31 December 2017, current assets amounted to RMB 631.3 million, a decrease of 9% (RMB 60.2 million) compared to RMB 691.5 million as at 31 December 2016. This was due largely to the decrease in cash and bank balances.

Chairman's Message

Trade and other receivables increased by RMB 12.8 million from RMB 271.3 million to RMB 284.1 million mainly due to the increase in trade receivables in tandem with the increase in revenue of the Zipper segment in 4Q2017.

The increase in prepayments to suppliers by RMB 18.9 million (or 26%) to RMB 92.6 million was due mainly to the increase in advances made to certain suppliers. For advances to suppliers, the Group will secure signed supply agreements with its various suppliers. The advance payments in the supply agreements are calculated based on a certain percentage of the total contract price.

Cash and short term deposits decreased from RMB 288.7 million to RMB 198.1 million due mainly to the settlement of construction cost of the Group's HQ Project in FY2017.

As at 31 December 2017, total current liabilities were RMB 732.6 million, a decrease of 6% (or RMB 46.0 million) compared to RMB 778.6 million as at 31 December 2016. This was mainly attributable to the decrease in trade payables, bills payables and short-term bank loans which was partially offset by the increase in amount due to a director, income tax payables, other payables and accruals.

Trade and other payables decreased by RMB28.5 million to RMB227.2 million mainly due to the decrease of RMB 30.7 million in bill payables arising from utilization of the prepayment to suppliers in netting off the purchases of raw materials. Other liabilities increased by RMB 15.7 million to RMB 173.7 million mainly due to the RMB11.2 million increase in advances from customers.

Loans and borrowings decreased by RMB 34.2 million (or 9%) to RMB326.7 million due to repayment of short-term bank loans in FY2017.

Review of Cash Flows

Operating activities
Net cash flows used in operating activities in FY2017 amounted to RMB 15.5 million compared to RMB 15.2 million generated in FY2016. This was due mainly to the decrease in bills payables.

Investing activities
Net cash flows used in investing activities in FY2017 amounted to RMB 43.9 million compared to RMB 135.9 million in FY2016 due mainly to lower construction costs of the Group's HQ Project incurred in FY2017 as it was in the final stage of completion.

Financing activities
Net cash flows used in financing activities in FY2017 amounted to RMB 21.5 million while net cash flows generated from FY2016 amounted to RMB 39.9 million, This was due mainly to higher repayment of short-term bank loans in FY2017 compared to FY2016.

Plans for 2018

- Enhancing "3F" brand name – continued investment in selective advertisements in trade journals and participation in trade exhibitions to reinforce the key message of 3F – Quality First, Customer First, Service First.
- New Administrative Headquarters –the Group's development of the parcel of commercial land (total floor area of 51,612 sq m) in Xiamen Island for construction into an office building had completed. Currently, the Group is renovating the 24/floor and 25/floor for the Group's corporate office usage. The Group is also stepping up on its leasing efforts to lease out the office units for rental income.

Outlook
The Group expects the zipper industry to remain highly challenging and competitive, and rising factory overheads and labour costs will continue to exert pressure on the performance of the Group and its prospects in the near term. As such, the Group will continue to step up its sales and marketing efforts to increase sales across all the business segments. In addition, the Group will step up its leasing efforts to rent out the office units and improve the occupancy rate of its HQ building in the next few months.

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. I also would like to thank our fellow Directors for their valuable advices and contribution 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; and our shareholders, for their continued support and belief in the Group.

Mr Hong Qing Liang
Executive Chairman and CEO
April 2018

Xiamen Headquarters

主席致词

各位尊敬的股东们,

我谨代表董事会，在此发布福兴中国集团（“福兴”或连同子公司，“集团”）截至2017年12月31日财年（“2017财年”）的业绩。在过去的一年里，集团在竞争激烈的环境下运营，利润微薄。与去年同期亏损相比,集团通过增加销售额成功实现了2540万人民币的税前利润。

业绩回顾

集团的收入增加了8940万人民币（或上涨了11%）至9.218亿人民币。这主要是由于销售额的增加（拉链业务 – 4850万人民币；贸易业务 – 3640万人民币；加工业务 – 320万人民币），以及厦门总部建设完工之后的租金收入10万人民币。2017年拉链业务和加工业务收入增长主要是由于在生产过程中，工厂机器的部分自动化使得产品质量更好从而提高了销售量。

集团的毛利增加了940万人民币（或上涨了19％）至5820万人民币。增加的主要原因是拉链业务和贸易业务售额的增长。平均毛利率微增长了0.4个百分点至6.3%，主要是由于工厂机器的部分自动化降低了生产成本使得拉链业务毛利率增长。

管理费用减少了6050万人民币（或64%）至3370万人民币，下降主要是由于以下几个因素. 2017年客户还款从而冲回应收账款坏账准备30万人民币，而2016年的应收账款坏账准备是1320万人民币。

此外,2016年前子公司的其他应收款坏账准备1600万人民币，随后该款被收回时冲回坏账准备，并记入在2017财年的其他收入中。另外，2016年在成功安装自动化机械之后报废闲置机器1640万人民币，而2017年并无此类记录。因此，2017年由于工厂机械的减少而折旧减少了390万人民币，工资和福利因行政人员的减少而减少了420万人民币。

其他费用1100万人民币，相比减少了2710万人民币。这主要是由于2016年集团厦门总部项目投资性房地产的公允价值损失3700万人民币。

其他收入3100万人民币，相比增加了580万人民币。2017年的其他收入主要来自于厦门总部项目投资性资产价值产生的公允价值收益1390万人民币，以及收回前子公司1600万人民币的欠款从而冲回其他应收款坏账准备。

鉴于上述因素，集团税后利润为1620万人民币。

财务状况回顾

截至2017年12月31日，非流动资产总额为7.909亿人民币，包括物业、厂房及机械，投资物业，土地使用权，及预付款。

集团的物业、厂房及机械总额为2.626亿人民币，相比于2016年的2.413亿人民币，增加了2130万人民币。主要是由于厦门总部建设完成后，将24和25层作为企业办公使用而将其3650万人民币从投资物业价值转入物业价值。

截至2017年12月31日，投资物业达4.985亿人民币。相比2016年的4.761亿人民币，增加了2240万人民币。投资物业指的是总部项目的公允价值,根据于2017年12月31日和2016年12月31进行的估值。投资物业价值的增加，主要是因为建筑成本结算及物业评估价值增加了1390万人民币。物业评估价值是由独立评估师以市场法来估算其价值所得。集团于2017年的最后一个季度获得了总部项目的法律合法完成文件。

土地使用权的减少是由于土地使用权的摊销费用。

2017年的预付款为购买机器所支付的款项。

截至2017年12月31日，流动资产总额为6.313亿人民币，相对于截至2016年12月31日的6.915亿人民币，减少了9%（6020万人民币）。这主要是由于现金和银行存款的减少。

应收帐款及其他应收款增加了1280万人民币，即从2.713亿人民币增加到2.841亿人民币，主要是由于拉链业务收入于2017年第四季度的增长使得应收账款增加。

主 席 致 词

给供应商的预付款达9260万人民币，相比增加了1890万人民币（26%），主要是增加了对某些供应商的预付款。集团与各供应商签署供货协议并支付预付款，协议中的预付款按照合同总价的一定比例计算。

现金及短期存款从2.887亿人民币减少至1.981亿人民币，主要是由于2017年投资房地产建设成本的结算。

截至2017年12月31日，流动负债总额为7.326亿人民币。相比2016年12月31日的7.786亿人民币，减少了6%（或4600万人民币）。主要是由于应付账款、应付票据、短期银行贷款的减少，被应付董事、应付所得税、其他应付款项及应计项目的增加所部分抵消。

应付账款和其他应付款为2.272亿人民币，相比减少了2850万人民币，主要是由于应付票据减少了3070万人民币，这是因为原材料采购时款项从供应商预付款中扣除。其他负债增加了1570万人民币，至1.737亿人民币，主要是由于预收客户款增加了1120万人民币。

贷款和借款减少了3420万人民币（或9%）至3.267亿人民币，是由于2017年偿还了短期银行贷款。

现金流量回顾

经营活动
2017年经营活动中使用的净现金流量总额为1550万人民币，而2016年在来自经营活动中的净现金流量总额为1520万人民币。主要原因是应付票据的减少。

投资活动
相比于2016年的1.359亿人民币，2017年在投资活动中使用的净现金流量总额为4390万人民币。主要是由于2017年总部项目处于最后完工阶段，建设成本较低。

融资活动
相对于2016年在来自融资活动中的净现金流量的3990万人民币，2017年融资活动中使用的净现金流量总额为2150万人民币，主要是由于2017年相对于2016年偿还更多的短期银行贷款。

2018年的计划
- 提高集团的“3F”品牌知名度 – 选择性地在专业期刊上刊登广告以进行持续投资并参加贸易展览，以加强3F品牌的核心价值 – “质量第一，客户第一，服务第一”

- 新的行政总部 – 集团在厦门开发商业用地（总面积51,612平方米）作为新的行政总部，目前建设已完工。集团正在装修24楼和25楼，以供办公使用。此外，集团还加大租赁力度，以出租写字楼赚取收入。

展望未来
集团预计在短期内激烈的市场竞争、工厂以及劳动力成本上升将继续影响集团及其发展前景。集团将继续加大销售和营销力度，以提高所有业务部门的销售额。此外，集团还将加大租赁力度，在未来几个月内出租写字楼单位，提高其总部大楼的入住率。

感谢辞

谨代表董事会，我希望借此机会，对我们的客户、供应商和业务伙伴表达诚挚的谢意，感谢他们长久以来的信任和支持。同时，也感谢我们的董事们，感谢他们不懈努力尽职尽责为公司所做的贡献。

最后，我想感谢集团管理层和员工在过去的一年中的努力和辛勤工作，也要感谢所有的股东们对集团的持续支持和信任。

洪清凉先生
董事长兼行政总裁
2018年4月


厦门总部

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 28 April 2016. 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 andChairman 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 28 April 2015. 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

Mr Hong Shui Ku

Executive Director

Mr Hong Shui Ku is the Group's Executive Director, and was appointed to the Board on 11 May 2011. Mr Hong was last re-elected on 28 April 2015. 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.

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 28 April 2016. 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

Board of Directors

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 listed companies / other Principal Commitments

- Fuxing China Group Limited
- KOP Ltd
- Director of Pioneer & Leaders (M) Sdn Bhd

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

- Vicom Ltd

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 28 April 2015. 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 listed companies / other Principal Commitments

- Fuxing China Group Limited
- 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 28 April 2016. 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 listed companies / other Principal Commitments

- Fuxing China Group Limited
- 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 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. Hong Qing Lu

Production Manager

Mr. Hong Qing Lu is our Production Manager. He joined our Group in January 2000. Mr. Hong Qing Lu graduated from MinJiang University, major in International Economics and Trade. After graduation, he joined our Group. Mr. Hong Qing Lu has 17 years of experience in the zipper industry. He is now responsible for overseeing the technical and production process.

Ms Zhang Ning Juan

Sales and Marketing Manager

Ms Zhang Ning Juan is our Sales and Marketing Manager. She joined our Group in November 2006 and is responsible for our Group's sale and marketing operations, as well as after sales services. Prior to this, between 1999 to October 2006, MS Zhang Ning Juan served as a marketing director in Shanghai Fapai Dress Company, American Johnson&Johnson Group and Fujian Quanzhou Shuang Heng Group successively.

Ms Zhang Ning Juan graduated from Xi'an Jiao Tong University, majoring in Marketing, and also furthered her studies at Tianjin Nan kai University with a bachelor degree in Marketing.

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 15 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.

The Board of Directors (the "Board") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). The Board confirms that it has generally adhered to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "Code") where applicable, relevant and practicable to the Group.

This report describes the Group's corporate governance practices with specific reference to each of the principles of the Code. Any deviations from the guideline of the Code or areas of non-compliance are explained accordingly.

(A) BOARD MATTERS

Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible for the overall performance of the Group. It sets the Group's values and standards and ensures that the necessary financial and human resources are in place for the Group to achieve its objectives by:

(a) approving policies, strategies and financial objectives of the Group and monitoring the performance of the Group, including the release of financial results and timely announcements of material transactions;

(b) approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, acquisitions and disposals of assets, interested person transaction of a material nature and convening of shareholders' meetings;

(c) reviewing the processes for evaluating the adequacy of internal controls, risk management, including financial, operational, information technology and compliance risk areas identified by the external and internal auditors that are required to be strengthened for assessment and their recommendation on actions to be taken to address and monitor the areas of concern;

(d) advising Management on major policy initiatives and significant issues and monitoring its performance against set goals;

(e) declaring interim and final dividends;

(f) approving all Board appointments, re-appointments and re-elections as well as appointment of key management personnel;

(g) overseeing proper conduct of the Group's business and assuming responsibility for corporate governance;

(h) considering sustainability issues such as environmental and social factors a part of its strategy formulation;

(i) identifying the key stakeholder groups and recognising their perceptions that affect the Company's reputation; and

(j) undertaking such other functions and duties as may be required by the statutes or the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Board is supported by the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). Each Board Committee is chaired by an Independent Director and a majority of the members are Independent Directors. The composition and terms of references of each Board committees are described in this report. 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 rests with the Board.

Corporate Governance **Report**

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 and video conferencing.

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.

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 thresholds.

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 quarterly 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 and in the interests of the Company.

The number of Board meetings held during the year ended 31 December 2017 ("FY2017") and the attendance of each Board member at those meetings and the meetings of the various committees are disclosed as follows:

Meetings of	**Board**	**AC**	**NC**	**RC**
Total held in FY2017	5	4	1	1
Hong Qing Liang	3	N.A	–	N.A
Hong Peng You	5	N.A	N.A	N.A
Hong Shui Ku	3	N.A	N.A	N.A
Lim Cheng Kee	5	4	1	1
Dr Ho Kah Leong	5	4	1	1
Qiu Qing Yuan	5	4	1	1

N.A : Not Applicable

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 releases issued by SGX-ST are also circulated to the Board for information.

Directors are encouraged to receive regular training and to participate in conferences, seminars or any training programme in connection with their duties.

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 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 the necessary training and briefing. Newly appointed Non-executive Directors are provided with a letter of appointment setting out their duties, obligations and terms of appointment. Executive Directors are provided with a service agreement setting out his/her terms of office and terms and conditions of his/her appointment. No new Director was appointed during the year under review.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholder. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board is currently made up of six directors.
Executive Directors:
Hong Qing Liang - Chairman and Chief Executive Officer
Hong Peng You
Hong Shui Ku

Non-Executive Directors:
Dr Ho Kah Leong (Lead Independent Director)
Lim Cheng Kee (Independent Director)
Qiu Qing Yuan (Independent Director)

Half of the Board is made up of Independent Directors and this composition is in compliance with the Code's guidelines that at least one-third of the Board is made up Independent Directors. The size and composition of the Board are reviewed on an annual basis by the NC to ensure that it has an appropriate mix of expertise and experience, 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 to discussions and facilitates effective decision-making. Currently, there is no alternate director appointed.

The NC, with the concurrence of the Board is of the view that the current Board size of six members is adequate, taking into account the scope of the Group's operations.

As a Group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning experience, understanding of the industry and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views.

The Independent Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. Where appropriate, the Independent Directors are encouraged to arrange for meetings without Management being present.

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

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual shall represent a considerable concentration of power.

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 a strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

In addition, in the People's 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 role efficiently and to ensure that the decision-making process of the Group would not be unnecessarily hindered.

Corporate Governance **Report**

All major decisions made by the Executive Chairman/CEO are reviewed by the Board. His performance and appointment to the Board are reviewed by the NC and his remuneration package reviewed by the RC. Both 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.

As Chairman of the Board, Mr Hong Qing Liang bears responsibility for the effective working of the Board. He ensures that board meetings are held when necessary, sets the board agenda and that Directors are provided with complete, adequate and timely information. As CEO, he is responsible for the 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 the Lead Independent Director on 23 May 2014. As the Lead Independent Director, Dr Ho is available to shareholders should they have any concerns or issues that cannot be appropriately dealt with by the Chairman, CEO or the Chief Financial Officer ("CFO").

The Company Secretary assists the Chairman and the Chairman of Board Committees in scheduling Board meetings and Board Committee meetings respectively. The Company Secretary also prepares agenda papers for the Board and Board Committee meetings in consultation with the CEO and CFO.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC, regulated by a set of written terms of reference, comprises four members, a majority of whom are Independent Directors. The Chairman is Mr Qiu Qing Yuan, an Independent Director, who is not directly associated with a 10% shareholder.

The members of the NC are:

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

The principal functions of the NC are as follows:

(a) reviewing and recommending to the Board the structure, size and composition of the Board and Board Committees;

(b) making recommendations to the Board on all Board appointments, re-appointments and re-elections to the Board, depending on whether or not such nominee has the requisite qualifications;

(c) determining the process for search, nomination, selection and appointment of new Directors;

(d) ensuring all Directors submit themselves for re-election at regular intervals and at least once every three years;

(e) determining annually the independence of the Directors, bearing in mind the circumstances set forth in the Code and any other salient factors;

(f) 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;

(g) evaluating Board's performance as a whole and its Board Committees;

(h) reviewing succession plans, in particular, the Chairman and CEO;

(i) overseeing the induction, orientation and training for any new and existing Directors; and

(j) undertaking such other functions and duties as may be delegated by the Board.

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 tapping on the Directors' network may be used to source for potential candidates. The curriculum vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his 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 reference to the guidelines set out in the Code, noting that the guidelines are an exhaustive list.

The NC had reviewed the independence of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan and had considered them to be independent in character and judgement, and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board concurred with the NC's views.

Dr Ho Kah Leong and Mr Qiu Qing Yuan have served on the Board for more than 9 years. 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 responsibilities as Directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively challenged Management. They have sought clarifications as they deemed required. Having considered the above, the NC has determined that Dr Ho's and Mr Qiu's tenure has not affected their independence or judgement in their discharge of 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 that they continue to be considered independent, notwithstanding they have served on the Board for more than 9 years from their date of appointment. The Board had concurred with the NC's assessment.

Each of Dr Ho Kah Leong, Mr Qiu Qing Yuan and Mr Lim Cheng Kee 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 its Independent Directors may not hold more than five directorships in other public listed companies.

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

Mr Hong Peng You, Mr Hong Shui Ku and Mr Lim Cheng Kee 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 have signified their consents for re-election.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board has, through the NC, adopted a process to evaluate the effectiveness of the Board and its Board Committees. The evaluation is conducted on an annual basis. No evaluation of individual director is conducted as the NC believes that each member of the Board contributes in different ways to the effectiveness of the Board.

As part of the annual appraisal process, Directors are required to complete the questionnaires and the results will then be collated by the Company Secretary and presented to the NC together with comparatives from the previous years' results. The findings from the evaluation 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 covers amongst others, size and composition of the Board and Board Committees, the Board's access to information, Board and Board Committees processes and accountability in relation to discharging its principal responsibilities and standards of conduct of the Board members.

For FY2017, the NC is generally satisfied with the Board and Board Committees 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 areas that could be improved further.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors have unrestricted access to the Group's senior management and the Company Secretary. All Directors are provided, where appropriate, with adequate and timely management information to enable them to participate at the meetings and on an on-going basis.

The CEO keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. If require,, the Independent Directors will meet with Management for ad-hoc discussions on the Group's business and operational matters.

Board papers are sent to Directors at least three working days before such meeting so that the Directors may better understand the matters prior to the meeting and discussions may be focused on questions that the Directors have on these matters. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board meetings. Senior Management who can provide input and insight into matters being discussed, would be invited to the Board meeting and to respond to any queries that the Directors may have.

The Company Secretary provides secretarial support to the Board and he or his representative will attend Board and Board Committees meetings and ensure adherence to Board and Board Committees meetings procedures and relevant rules and regulations which are applicable to the Company.

The Bye-Laws of the Company provides that the appointment and removal of Company Secretary shall be reviewed and approved by the Board.

Should Directors, whether as a group or individually, need independent professional advice to fulfill their duties, they are able to obtain such advice at the Company's expense. The appointment of such independent professional advisors is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC, regulated by a set of written terms of reference, comprises entirely Non-Executive Directors as follows:

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

The principal functions of the RC are as follows:

(a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel and to recommend to the Board the specific remuneration packages and terms of employment for:

  (i) each Director and key management personnel of the Group;

  (ii) employees related to Directors, CEO, or Controlling Shareholders of the Group;

  In the event of termination of the Executive Directors and key management personnel's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

  (iii) the Directors' fees, which are subject to shareholders' approval at the AGM; and

  (iv) the service contracts of the CEO and Executive Directors.

(b) reviewing and recommending to the Board long-term incentive schemes which may be set up from time to time.

(c) 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 and it takes into consideration the industry practices and norms in determining compensation. No external consultant was engaged for FY2017.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages are set such that the Directors are adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions. 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 would 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 key management personnel in exceptional circumstance of mis-statement 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 key management personnel to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group.

For FY2017, the Executive Directors had voluntarily waived their respective performance bonus entitlements under their respective service agreements in view of the challenging business environment facing the Group.

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

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Other than Directors’ fees, which have to be approved by shareholders at every AGM, the Independent Directors do not receive any other forms of remuneration from the Company. Each Executive Director is paid a Board fee.

Taking into consideration of the current market conditions and the rising labour and overhead costs which continue to exert pressure on the Group’s performance, all the Directors have voluntarily agreed to take a lower quantum of their respective Director’s fee for the year ending 31 December 2018 (“FY2018”). The RC had therefore recommended to the Board an aggregate amount of S$107,000 as Directors’ fees for FY2018, payable half-yearly in arrears.

The above recommendations have been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders’ approval.

No Director is involved in the decision concerning his own remuneration. Each of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan being 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.

Disclosure of remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The breakdown of each individual Director's remuneration for FY2017, is as follows:

Name of Directors	Salary	Bonus	Director's fees	Other benefits	Total	Total remuneration (S$'000)
	%	%	%	%	%	
Executive Chairman and CEO						
Hong Qing Liang	98	–	2	–	100	229
Executive Directors						
Hong Peng You	83	–	17	–	100	30
Hong Shui Ku	83	–	17	–	100	30
Independent Directors						
Dr Ho Kah Leong	–	–	100	–	100	41
Lim Cheng Kee	–	–	100	–	100	38
Qiu Qing Yuan	–	–	100	–	100	23

Details of remuneration paid to top 5 key management personnel of the Group (who are not Directors or the CEO) for FY2017 are set out below:

Name of key management personnel	Salary	Bonus	Other benefits	Total
	%	%	%	%
Below S$250,000				
Hong Shao Lin - General Manager	100	–	–	100
Hong Qing Lu - Production Manager	100	–	–	100
Lei Zhen Min - Human Resource Manager	100	–	–	100
Zhang Ning Juan - Sales and Marketing Manager	100	–	–	100
James Ma - Chief Financial officer	100	–	–	100

The aggregate remuneration paid to the top 5 key management personnel (who are not Directors or the CEO) for FY2017 was S$219,600.

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

Employees who are immediate family members of a Director or the CEO during the year are as follows : -

(i) Mr Hong Shao Lin, son of Mr Hong Qing Liang (Chairman and CEO of the Company) 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, is employed as a Investment Manager of Fuxing China Group Limited and

(iii) Mdm Zeng Li Ming, spouse of Mr Hong Peng You (a Director of the Company) is employed as an Administrator of the Group.

None of the abovementioned employees' remuneration exceeded S$50,000 during the year.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

All the financial information presented in the results announcement or Annual Report has been prepared in accordance with Singapore Financial Reporting Standards and approved by the Board before release to the SGX-ST.

Management provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis. This is supplemented by updates on matters affecting the financial performance and business of the Group, if applicable.

The Board has embraced openness and transparency in the conduct of the Group's affairs, whilst preserving the commercial interests of the Group. Financial reports and other price sensitive information are disseminated to shareholders through announcements or by way of news releases via SGXNet to the SGX-ST at first instance, and subsequently, be way of release on the Company's website.

In line with the requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risks. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal controls system and maintains a sound system of risk management and internal controls to safeguard the Group's assets.

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 controls, information technology controls and risk management policies and systems established by Management (collectively "internal controls"). Any non-compliance or weaknesses in internal controls recommended for improvements are reported to the AC. The AC also reviews 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 instatement or loss.

The Group does not have a separate Risk Management Committee. In line with the Code guidelines on internal controls and risk management, the Board has designated Mr Hong Shui Ku, an Executive Director, as the Chief Risk Officer ("CRO"), to oversee the risk management of the Group.

For FY2017, the Group's Internal Auditors ("IA") were engaged to assist the CRO 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, Management presents the report to both the AC and Board on significant matters arising from the said review and counter measures to mitigate the identified risks or potential risks. There were no material deficiencies arising from the review.

The Board has received written assurance from the CEO and CFO that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the reviews conducted by the IA and external auditors, written assurance of Management, the Board is of the opinion (with the concurrence of the AC) that the internal controls and risk management systems addressing financial, operational, information technology controls and compliance risks were adequate and effective.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC"), regulated by a set of written terms of reference, comprises three members, all of whom are Independent Directors. The members of the AC are:

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

The Board is of the view that members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience, as the Board interprets such qualification, to discharge their responsibilities.

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions. The AC members have the relevant years of experience in senior management positions and have the necessary expertise and experience to discharge their duties and responsibilities.

The AC has full access to and the co-operation of Management, full discretion to invite any Director or Executive Officer to attend its meetings and reasonable adequate resources to enable it to discharge its functions.

The AC performs the following functions:

(a) reviews the quarterly 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 policies;

(i) ensure 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; and

(k) undertakes such other functions and duties as may be required by the statute or the Listing Manual of the SGX-ST.

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 executive officer to attend its meetings as well as reasonable resources to enable it to discharge to function properly.

In addition to the above functions, the AC has:

(i) met with the external auditors and internal audtiors without the presence of Management to discuss the results of their audit findings and communicated with the internal auditors to discuss their evaluation of the Group's system of accounting and internal controls, set out in their respective reports;

(ii) ascertained that both the internal and external auditors have had the full co-operation of Management in carrying out their audits of the Group. The Auditors, Mazars LLP, have affirmed their independence in this respect. Audit services rendered by Mazars LLP amounted to S$247,200. For FY2017, the Business and Risk Consulting division of Mazars LLP was engaged to assist in the drafting of the Sustainability Report for S$18,000. Apart from the above, no other non-audit services were rendered by Mazars LLP;

(iii) kept abreast of accounting standards and issues that could potentially impact financial reporting through updates and advice from the external auditors;

(iv) confirmed that Company had complied with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. Mazars LLP, the appointed auditors of the Group, is registered with the 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 audit obligations, given the size, nature and operations of the Group;

(v) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, its significant foreign-incorporated subsidiaries;

(vi) reviewed interested person transactions on a quarterly basis;

(vii) reviewed the implementing process of the Company's sustainability report; and

(viii) reviewed the whistle-blowing policy

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 FY2017 financial statements, the AC has discussed with Management and the external auditors, Mazars LLP 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 members 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 for FY2017.

Internal Audit

Principle 13: The company should establish an effective internal audit ("IA") function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its IA function to an external audit firm, Xiamen De Cheng Accounting Co. Ltd, (the "IA") in the People's Republic of China. The IA reports directly to the AC Chairman on internal audit matters and to the CEO on administrative matters. The role of the IA 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 IA 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 IA function annually to ensure that the IA function is adequately resourced and is able to perform its function effectively.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.
Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

Shareholders are notified in advance of the date of release of the Group's financial results through an announcement via SGXNet. Management also conducts regular briefings for shareholders, which will generally coincide with the release of the Group's half-yearly and full year results. During these briefings, Management will review the Group's performance as well as discuss the business outlook for the Group.

Information is communicated to the shareholders on a timely basis through:

(a) SGXNet releases on major developments of the Group;

(b) financial statements containing a summary of the financial information and affairs of the Group for the quarterly and full year via SGXNet;

(c) annual reports that are sent to all shareholders;

(d) notices of and explanatory notes for general meetings; and

(e) results briefings.

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 the 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.

If any shareholder is unable to attend, he/she is allowed to appoint up to 2 proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars. The duly completed proxy form is required to be submitted at least 48 hours before the Shareholders' meeting at the Group's share transfer agent's office. At shareholders' meetings, each distinct issue is proposed as a separate resolution.

At the AGM/SGM, shareholders are given the opportunity to voice their views and seek clarification on issues relating to the business as outlined in the AGM/SGM agenda.

The Chairmen of the Audit, Remuneration and Nominating Committees and the external auditors will normally be available at the AGM/SGM to answer shareholders' queries.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

For FY2017, no dividend was recommended due to the need to conserve cash for the Group's working capital and operational needs.

(E) DEALINGS IN SECURITIES

The Group has adopted an 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 weeks before the release of the quarterly results and at least one month before the release of 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. The Group confirmed that it has adhered to its policy for securities transactions for FY2017.

(F) 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 Lisitng Manual of the SGX-ST and no announcement or shareholders' approval was therefore required.

(G) 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 FY2017.

Sustainability **Report**

Overview of The Report

Fuxing China Group Limited ("Fuxing" or together with its subsidiaries, the "Group") is pleased to present its first Sustainability Report covering its sustainability performance in the financial year ended 31 December 2017 ("FY2017"). Our approach to sustainability is guided by the Group's mission to create sustainable values for it stakeholders.

This Sustainability Report ("SR") aims to inform our stakeholders of our sustainability efforts and performances using a structured approach guided by the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), by reporting the key material aspects of sustainability as well as the Group's strategies, initiatives and performance in relation to environmental, social and governance issues.

Scope of The Report

The Group's Sustainability Report will be published on an annual basis starting from FY2017. This report covers the Group for FY2017 (from 1 January 2017 to 31 December 2017).

This report aims to provide a balanced representation of the sustainability performance of the Group. All the information and statistics are in relation to the Group's operations unless otherwise stated.

The Reporting Process

With FY2017 being the first year of issuing Sustainability Report, the Group engaged an external consultant to facilitate the sustainability reporting process and advise on the industry leading practices on sustainability reporting. Headed by the CEO, the Sustainability Reporting Committee (the "SR Committee") directs and coordinates the preparation of the report. The information for this report was collected from the various departments of the Group. The Group aims to improve this process continually to ensure that the Group's strategy is well integrated across all its business functions.

Reporting Guidelines

This report has been prepared based on GRI Standards. The "Core Option" has been adopted for "General Disclosure" as this is the first time that the Group is issuing a sustainability report. We will consider adopting "Comprehensive Option", which has more items to disclose, when we are ready in the future.

Comments and Feedback

Your views are important to us and we welcome feedback on this report and any aspect of our sustainability performance. Please address all feedback to Ms Loke Oi Lin at oilinfxcg@gmail.com. We seek to continuously improve our sustainability performance and your feedback is essential to us in helping us achieve our goals.

Chairman's Message on Sustainability

Dear Shareholders,

We are proud to share with you our sustainability efforts and achievements to drive the Group's business and sustainability performance.

Despite the gradual recovery of the global economy, the zipper industry is expected to continue to remain challenging and competitive, with rising labour costs and overheads in China to exert pressure on the performance of the Group and its prospects. Nevertheless, the Group will continue to increase its sales and marketing efforts to boost sales across all its business segments.

Forward Strategy

Moving forward, we believe in investing in selective advertisements in trade journals and participate in trade exhibitions to reinforce the key message of 3F – Quality First, Customer First and Service First. The Group continues to strive for developing high quality products that meet the expectation of our customers. Apart from investing in marketing related activities, the Group plans to lease out the excess space at Xiamen Headquarters. This new business segment will further increase our revenue and broaden our revenue streams.

Engaging Stakeholders

We also strive to provide equal benefits to all employees, who are our valuable assets. Our sustainability practices are embedded into employee training and their career development.

We shall continue to have active dialogues with our key stakeholders such as our customers, suppliers and business partners. We are also encouraged to give and receive feedback, as well as do our best for the customers in every situation.

We would like to take this opportunity to thank our key stakeholders for your continued support and belief in the Group. May the year of 2018 bring success to all of us.

Hong Qing Liang

Executive Chairman & CEO
Fuxing China Group Limited

Sustainability **Report**

Strategic Update

Our Fundamental Beliefs

The Group's philosophy of 'People-oriented and creating harmony hand in hand' is not only the management tenet but also a combination of the management's spirit and the Group's modern management philosophy. The Group focuses on the well-being and harmony of all its stakeholders.

Our product brand logo is a FFF trademark, representing Fuxing's zipper pursuit of customer first, quality first and service first, which are always on the top of our mind when we deliver products and services to our customers.

The Group's logo is made up of nine small squares of equal size, a simple and elegant design representing Fuxing's corporate philosophy. The bright red colour symbolizes the fiery enthusiasm and enterprising spirit of the Group's people. The nine small squares form a large square, symbolizing that the Group is a united entity made up of many branch factories, and the Group's staff are closely united, strong and powerful. The nine blocks are a symbol of good luck and the people doing things square.

Our motto 'Zipping Sustainably' guides our business decisions when it comes to developing products, keeping all stakeholders in mind.

Our Commitment

In January 2007, the Group was awarded the Intertek Eco-Certification, which recognises manufacturers with a reliable quality assurance system of ecological products. It implements strict quality assurance on incoming materials and chemical application-related processes to remove all the restricted harmful substances from the very beginning without changing the original design, thus avoiding any contamination during the manufacturing process. This certification also allows the Group's products to be exported to International markets like Australia, the EU, Russia, Turkey, Korea, Thailand, Vietnam, Indonesia and many other countries.

As a sustainable zipper company, the Group is committed to playing its part for society through meaningful partnership with local communities and various institutions. For instance, we have collaborative partnership with research institutes such as, Xiamen University (厦门大学) for the research and development of management software and hardware to enhance production efficiencies in the manufacturing of zipper products.

Over the past two decades, the Group donated up to RMB 10 million to various institutions and charitable organisations such as Jian Zhen Middle School, Chun Elmentary School and Jinjiang Airport. The Group will continue to improve the welfare of the community and welcome any challenges ahead in building a sustainable future.

Our Goals and Achievement

Since its establishment in 1993, the Group has built a credible track record and market reputation, having garnered over 20 awards in the past 10 years.

In January 2007, we accorded high priority to quality control during the production processes of our products and were awarded the ISO 9001:2000 Quality Management System Certification. In addition, our products which are certified under the Intertek Eco-Certification are entitled to be sold in the international markets. All our manufacturing zipper products are manufactured in accordance with the PRC zipper industry standards.

Certification	Organisation	Valid Term
Intertek Eco-Certification	Intertek Testing Services Hong Kong Ltd	30 Jan 2007 - 30 Jan 2010
ISO9001:2000 Quality Management System Certificate	Universal Certification Service Co., Ltd	30 Jan 2007 - 30 Jan 2010

Notably, in 2008, the Group 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. This accolade serves as a testament to our strong growth and financial performance through the years.

To ensure continuous innovation in product quality and improved efficiency, the Group places strong emphasis on product and technical research and development ("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, the Group's R&D facility was certified as a "Fujian Provincial Level Enterprise Technology Center" in December 2006. The Group now owns 18 design patents, 12 utility patents, 2 invention patents.

Towards the end of 2009, the Group was also awarded the "New and High Technology Enterprise" by Fujian Provincial Government. In 2011, the Group has successful acquired 3 new subsidiaries and a plot of commercial land in Xiamen. The new Administrative Headquarter – the Group's development of the parcel of commercial land (total floor area of 51,612 sq m) in Xiamen Island for construction into an office building has been completed in October 2017.

Sustainability **Report**

Introduction

Company Profile

The Group is a manufacturer of zipper sliders and zipper chains in the PRC. We are also listed on the mainboard of Singapore Exchange Securities Trading Limited (“SGX”). Our products are sold mainly to local manufacturers of apparel and footwear products, camping equipment, bags, upholstery furnishings as well as other zipper manufacturers to further process or assemble our zipper products and customise according to customers’ needs.

Based in Jinjiang City, Fujian Province, People’s Republic of China (the “PRC”), we are one of the few vertically integrated players in the PRC zipper industry. We have the ability to manufacture the entire zipper product from mould-making, to the production of zipper sliders, and to manufacturing of fabric tape for zipper chains.

Vision and Strategy

Fuxing China Group Limited believes in “Sales as a leader, quality as life and technology as driving force, talent as the foundation”.

Our business philosophy is to build harmonious relations between enterprises and employees and between enterprises and society.

Opportunities

Our current operations are located in Jinjiang City, Fujian Province, the PRC. As part of the local government’s plans for further commercialisation of Jinjiang City, we have built our headquarters within this centralized business district. Hence, the Group hopes to take advantage of the business opportunities where we could reach out to our potential customers.

We have also explored into various opportunities to collaborate with suitable partners in related fields such as Xiamen University for research and development purposes.

Through our listing status, the Group hopes to gain access to capital markets and reaches out to potential investors to further growth and development.

Strategic Approach

General Description of Our Approach

The SR Committee oversees the Group's social responsibility efforts and environmental management and protection.

Comprising representatives from the different business units, the SR Committee formulates the Group's policy, principles, targets and framework for action, promotes environmental and social initiatives, as well as sets performance benchmarks for continuous improvements.

Sustainability Policy

- Constantly strive to ensure that our products are of the highest quality being delivered to our customers
- Collaborative partnerships with research institutes to enhance production efficiencies
- Continually seek to improve production technology to automated the production line and invest in capital equipment
- Regular engagement with various stakeholders to continue to improve on sustainability performance
- Full commitment to prevent and reduce negative environmental impacts

Committee Structure

The Group has considered sustainability issues as part of the strategic formulation of the Group. Hence, we have established a SR Committee comprising the senior management to oversee the efforts of work teams from different business units.

The SR committee includes Mr Hong Qing Liang, Executive Director and Chief Executive Officer, Mr Hong Peng You, Executive Director and Director of Administration, Mr James Ma Chor Lung, Chief Financial Officer, and Mr Xiong Sen, Finance manager.

The SR Committee focuses on the Group's sustainability objectives, challenges, targets and progress to align with strategic direction of the Group, and supervises the work teams in implementing and tracks sustainability data and progress.

External Initiatives

The Group has been a member of China Zipper Industry Association and actively involved in the association's activities, i.e. strengthening the management of the zipper industry, standardizing the zipper industrial behavior, safeguarding the common interests of the zipper industry, protecting the consumer's rights and interests, promoting the development of the zipper industry and formulating the provisional regulations and guidelines for the zipper industry in China.

Stakeholder Engagement

We value input from all of our stakeholder groups and use various ways to engage with them as well as receive their feedback. We identify stakeholders as groups that have an impact or have the potential to be impacted by our business. Those feedback we receive from our stakeholders helps us to determine our material topics and identify our focus areas.

The following six key stakeholder groups have been identified.

(1) Our Employees

Our employees are part of our human capital whose competencies and well-being are fundamental to the Group's operational effectiveness. We aim to develop their potential to drive innovation and organisational excellence.

Sustainability **Report**

(2) Our Customers
Not only do we need to meet the needs of existing clients in the market in a timely manner, we also seek to understand the needs of potential customers. Customer demand is the basis and premise of all our work. The satisfaction of customer needs is the standard to measure all our work.

(3) Our Suppliers
We work closely with partners in our value chain to ensure that subcontracted activities are carried out in line with leading industry practices and sustainable building methods. We aim to integrate our strong regional network and knowledge with the strengths of our partners to capitalise on opportunities.

(4) Shareholders / Investors
We aim to build on strong fundamentals to deliver continued earnings growth and maximise shareholder return. We also strive to maintain good corporate governance and improve levels of transparency through financial and sustainability reporting and timely communication.

(5) Our Community
Our developments shape public spaces and impact the interaction between people and their broader environment. We aim to be a committed and responsible corporate citizen, contributing to communities wherever we operate by informing the surrounding community about our development plans and key construction works, collaborations to raise social and environmental awareness amongst the community, advocating leading industry practices and promoting youth engagement platforms.

Supply Chain Management
In our procurement process, the Group influences suppliers to advance sustainable performance measures, including efforts to reduce environmental impacts by increasing reliance on sustainable goods, delivery methods and business practices.

We expect our suppliers to endorse the Group's commitment to corporate social responsibilities including fair labour and operating practices, environmental protection and diversity. Our ethics and business conduct principle are accepted by our suppliers and incorporated into our contracts as well.

Identifying Material Aspects

Materiality Assessment
An external sustainability consultant was engaged in 2017 to meet with the SR Committee and the head of department of its different business units to assist the Group in the identification and prioritization of issues that were most relevant and significant to the Group and its stakeholders. These issues were then linked to the overall strategy and risk management approach. Environment, Social and Governance ("ESG") Materiality Assessment was performed with the facilitation of the external consultant. The SR Committee members have rated each ESG factor in the GRI ESG universe in terms of influence on stakeholders' decisions and significance of environmental and social impacts. Thereafter, a reporting plan was put up based on the aggregated assessment results.

Material ESG Factors
The SR Committee has identified the following material ESG factors for FY2017.

1. Economic performance
2. Procurement Practices
3. Materials
4. Employment
5. Training and education

As we strive to improve levels of transparency through financial and sustainability reporting and timely communication, we will be reporting many more additional ESG factors in the years to come.

Performance Highlights and Exhibitions

Direct Economic Value Generated and Distributed

The financial health of our Group directly impacts our key stakeholders – employees, customers, suppliers and investors. We continue to focus on being the best performing Group for our customers, while continuing to drive operational and financial improvements. Information on the creation and distribution of economic value provides a basic indication of how an organization has created wealth for stakeholders. It also provides a useful picture of the direct monetary value added to local economies.

FY2017	RMB'000
Revenue	921,754
Total economic value generated	921,754
Operating costs	(800,741)
Employees compensation and benefits	(64,012)
Payment to government	(7,982)
Community investment	(100)
Total Economic Value Distributed	(872,835)
Economic Value Retained	48,919

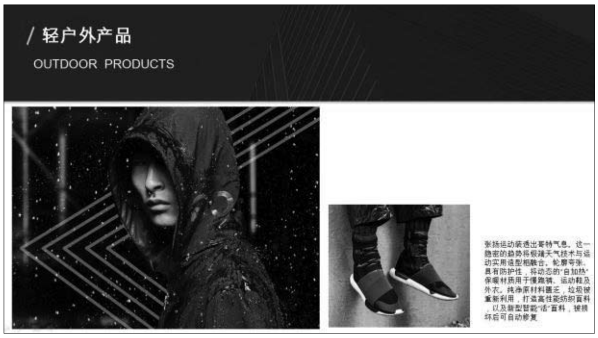
Exhibitions
The Group has obtained a total of RMB 100,000 of government subsidies for participating fashion and clothing exhibitions in Shanghai, Guangzhou, Xiamen and Hong Kong in FY 2017.

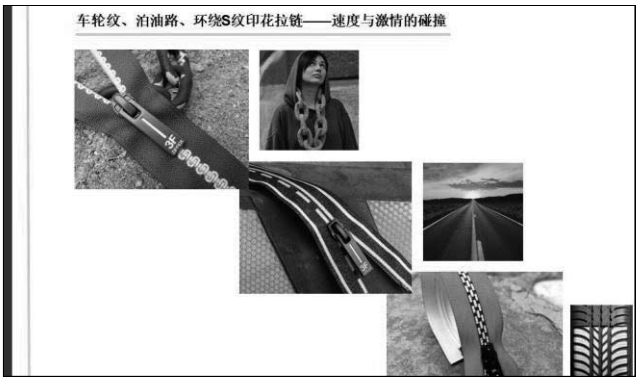
Intertextile Spring and Summer Exhibition was held from 15 March 2017 to 17 March 2017 at Shanghai National Convention and Exhibition Center. The Group presented its new products for 2017 and the trend for spring and summer zipper for 2018. The group focused on high-quality zipper products with detailed features, such as waterproof, together with customizable zipper pullers and attracted more than 2,000 visitors, including customers, designers, distributors, and domestic and overseas professionals.

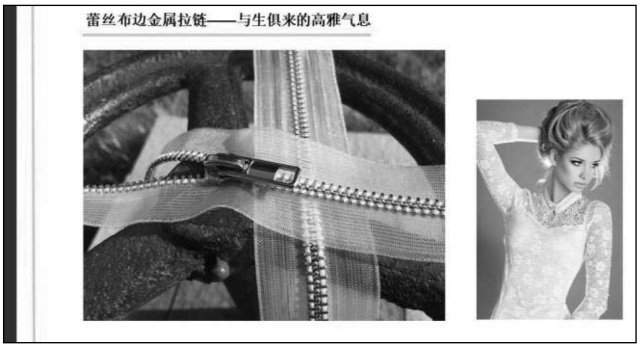
Sustainability **Report**

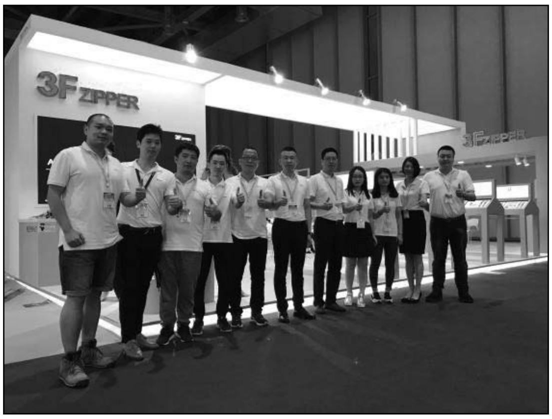
Intertextile Autumn and Winter Exhibition concluded on 13 October 2017 at Shanghai National Convention and Exhibition Center, which attracted a total of 73,000 visitors from over 90 countries and regions. The Group debuted a full new range of products including outdoor, fashion and sports which drew significant interests from designers and buyers.

Sustainability **Report**









Procurement and Materials

Management Approach

The Group purchases a range of raw materials from its suppliers, including zin alloy, polyester yarns and polyester chips to produce its zipper chains and zipper sliders. Our suppliers for these raw materials are mainly local businesses with operations in Fujian Province, the PRC. Except for zinc alloys, because there is no suitable local supplier who can meet the quality standards and competitive pricing, the Group has no choice but to source from other provinces in the PRC. Dealing with local suppliers benefits the Group by not only saving logistic costs but also contributing to the boost of local economy. In FY2017, all the suppliers the Group engaged for the Zipper segment were local in the PRC with a total spending of RMB 327.2 million.

Our suppliers are assessed and selected by the Group's centralised procurement team based on the quality of materials supplied, length of business relationship with the Group as well as their pricing, reliability and punctuality of delivery. The Group did not encounter any difficulties in sourcing for raw materials to meet its production requirements, nor experience any major disputes with our suppliers during 2017.

Since most of the Group's suppliers are sourced locally, our orders are usually short-term, using monthly settlement. Thus, all the prices are adjusted according to the market conditions, ensuring that orders are transacted at the most optimal prices.

However, some of these materials may still be exposed to price fluctuations which may in turn have a positive or negative impact on the Group's production costs. Hence, the Group has made some arrangements by performing cash advances to some of its suppliers to meet its medium term needs when it expects the prices of its materials to increase. In addition, credit assessment was performed by the management before making such prepayments to the suppliers.

Materials

GRI requires material declarations for all parts and components in the Group's zipper products. Based on this information, the Group has compiled and analysed the material content for individual products. The total weight of the major raw materials purchased in FY2017 are as follows:

- Zinc alloy: 3,400 tons
- Polyester yarns: 17,300 tons
- Polyester chips: 4,800 tons

The Group strives to save materials by improving its production efficiency and accuracy and reducing error product rate. For those scrap materials that cannot be reused, the Group sells to professional scrap collection suppliers to route back to factory and melt for recycling usage.

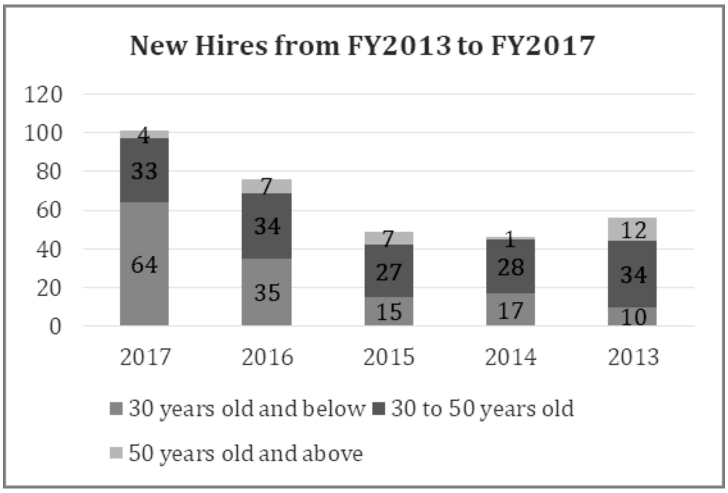
Another initiative of the Group is to recycle packing materials whenever possible, such as woven bags and paper boxes.

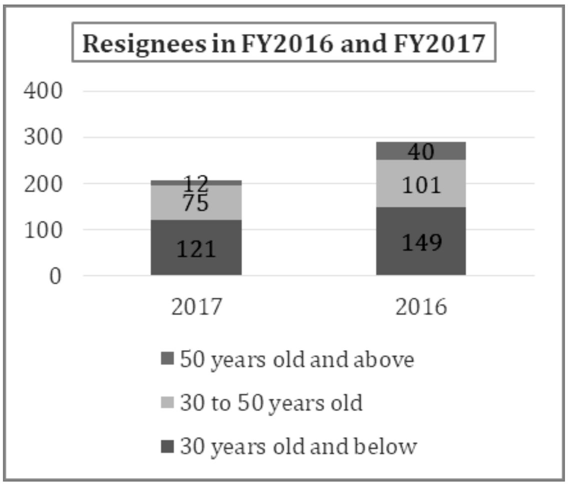
With the waste prevention mindset, the Group has helped to reduce negative impacts to the environment and made it more sustainable in the long run.

People and Community

Our People

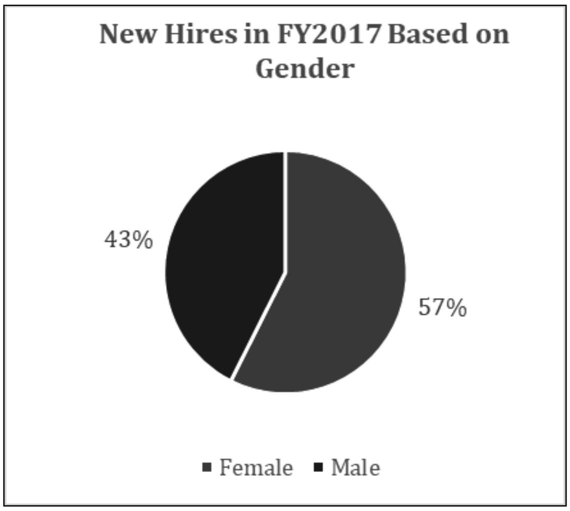
The Group recognises that its employees are its greatest assets and that they are vital to the long-term viability of the Group's business. The Group values diversity in its workplace and implements inclusive recruitment practices based on age and gender, as well as the best use of existing labour and talent in different regions.

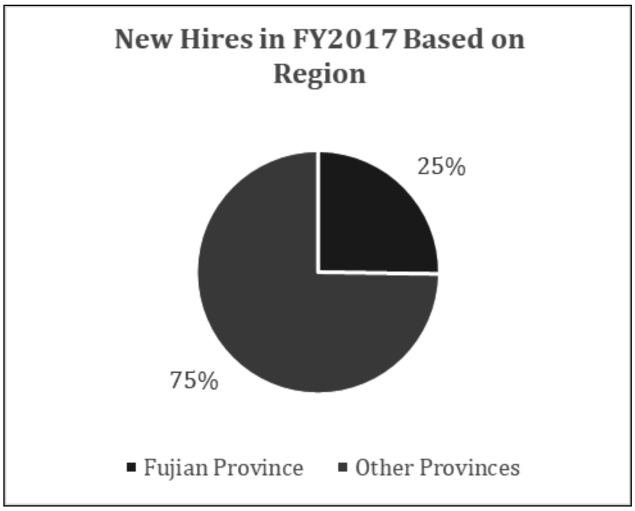




Sustainability **Report**

The Group has 1,410 employees as of 31 December 2017. A total of 101 new staff was hired in FY2017. At the same time, 208 staff had resigned as the Group was transforming some of its productions processes to semi-automation, thus reducing the reliance on labour. Besides hiring local people from Fujian province, the Group also reached out to and welcomed talented staff in other regions / provinces in the PRC to ensure diversity and continued growth of the Group as they might offer different perspectives from a different culture.





Employee Benefits

All full-time employees of the Group are entitled to a full range of benefits such as:

Benefits	Descriptions
1. Life Insurance	In the event that our employee become critically ill or permanently disabled, their loved ones will receive a sum of money to provide them with financial protection and coverage against risks.
2. Medical Insurance	Employees are reimbursed for visits to the General Practitioner and Dentist, as well as covered under provision of medical insurance.
3. Disability Insurance	All our employees are covered under personal accident insurance and work-related injury. For instance, company reimburse any rehabilitation costs or monthly payout for each disability.
4. Maternity Leave	Eligible female employee is entitled to maternity leave when applicable.
5. Retirement Provision	For employees who have reach the retirement age may be qualified for pension, the government will provide them with monthly support during their retirement.
6. Staff Dormitory and Canteen	Employees are free to enjoy dormitory services with necessary appliances, such as TVs and air-conditioners. All dormitories are equipped with individual bathrooms. Employees can also enjoy 3 meals at the staff canteen at a subsidized rate.

Other than the benefits mentioned above, the Group also rolled out initiatives like meal and transport allowance to promote cohesiveness amongst staff. With these initiatives, the Group ensures the staff's well-being and all-round personal development. Employees will also have a better understanding of the Group's policies and direction and providing feedback or suggestions to improve areas that may be lacking.

Maternity Leave

Fuxing supports the legislation to allow employees to return to the same or equivalent jobs after taking maternity leave. There was a total of 9 and 3 female employees who have taken maternity leave in FY2017 and FY2016 respectively. In addition, all of them have also returned to work after maternity leave and remained employed by the Group even one year later. Having such leave entitlements has led to higher retention rate of talented employees within the Group. At the same time, it can also boost our employee morale and productivity.

Training & Development

The Group believes in providing employees with the necessary training to ensure that they are equipped with the right skillset for proper job performance. We place great emphasis on improving and upgrading our employees' technical knowledge and skills that are relevant to their department. As such, employees' training is conducted based on the requirements for each department to increase their level of competency and expertise.

The Group ensures that its employees who are involved in the manufacturing and production processes undergo in-house operational training sessions to familiarize themselves with our operational procedures, policies and practices. While some of our trainings are conducted in-house or when carrying out the job duties, some of our employees will also be sent for various external certifications and training programs whenever necessary and possible. Hence, we are committed to investing in our employee to upgrade their skills capability and increase work productivity.

In FY2017, all non-managerial employees, including new joiners and existing staff, went through an average of 2.6 hours of training to enhance their professional skills in order to improve productivity and efficiency. Management staff had attended at least 80 hours of training to enhance their own skills so that they are able to support, develop and encourage our people in taking up more challenging jobs.

In addition, 100% of our people, including non-managerial and managerial staff, have gone through performance evaluation and career development reviews on a bi-annual basis. Regularly appraisal of employee performance aids the personal development of individual employees. It also contributes to skills management and to the development of human capital within the organization. Regular performance and career development reviews can enhance employee satisfaction, which correlates with improved organizational performance.

We believe that good people management and appropriate staff training will strengthen the Group's corporate culture and bring quality products and great satisfaction to our customers. Hence, we strive to empower our people with the right skillset and motivation, working towards a common goal.

Workplace Health and Safety

The Group always tries its best to prevent any incidents from happening within the manufacturing site. The Group conduct work safety programs to raise awareness on a regular basis. Compliance to safety rules and guidelines set forth by the Group is one of the key performance indicators of all staff. The Group aims to assess and identify any new risks regularly as early as possible to minimise any impact.

Fire safety is one of the top priorities and the Group's people play an important role in ensuring its factories and production lines are as safe as possible. The Group therefore conducts regular fire drills and train its staff. It is the Group's view that this will drastically reduce the likelihood of fires in the Group's premises, and, in the unlikely event of a fire, it will also help us evacuate everyone safely. The Group has conducted 2 fire drills respectively on 14 September 2017 and 14 December 2017.

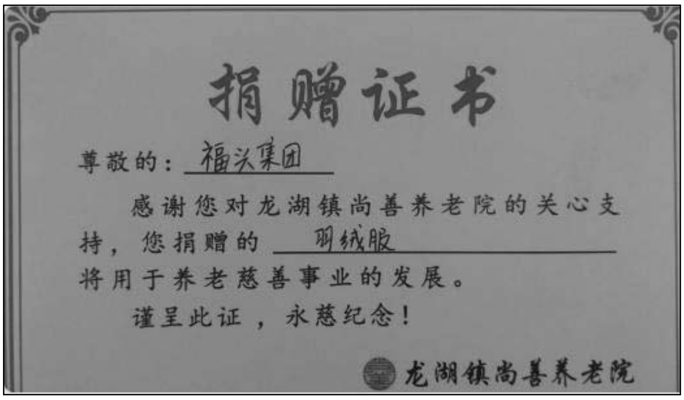
Sustainability **Report**

To strength our people's security awareness, acquire necessary anti-terrorism and anti-riot knowledge and improve the capability of safeguard personal and organization's interest, the Group collaborated regularly with the local patrol brigade and police station to organize a knowledge sharing session and drill on 20 June 2017.

Our Community

The Group is dedicated to giving back to its people and to the communities it operates in. Indeed, the two go hand in hand: the events organized for the charities are all about bringing our people together as well as inviting the public to participate. The Group is committed to sharing its success with its people and with local communities.

In January 2017, the Group's staff representatives visited Shangshan Nursing Home in Longhu Town (龙湖镇尚善养老院) and donated 150 down jackets worth RMB 60,000 and brought warmth to the elderly in the cold winter season.



捐赠证书

尊敬的：福兴集团

感谢您对龙湖镇尚善养老院的关心支持，您捐赠的 羽绒服 将用于养老慈善事业的发展。

谨呈此证，永慈纪念！

龙湖镇尚善养老院

Sustainability **Report**

In March 2017, more than 20 volunteers represented the Group to take part in a blood donation event.

In April 2017, the Group appointed a few staff representatives to visit Nursing Home at Hangbian Village Longhu Town (龙湖镇杭边村老友会) and donated 250 new sets of clothing and pants for male and female respectively amounting to RMB 278,320.

Sustainability **Report**

In April 2017, the Group, together with the worker's union, organized a sports competition to enrich the life and demonstrate the good spirit of our employees, promote the corporate culture of the Group, enhance the employees' awareness of physical health, create friendly and competitive opportunities and platforms, and promote positive interaction among departments, employees, and superiors and subordinates.

From July 2017 to August 2017, a two-month summer camp, themed "Happy Summer Vocation", was organized for employees' children during school summer holidays. This is the 4th year that the Group organized such summer camp and close to 100 children took part in this year's camp. Besides Chinese, Math and English classes, a lot of extracurricular activities, such as art, crafts, poetry reading and fun games, were also included. During the camp, the children not only learned academic knowledge and hands-on skills but also enjoyed the games and activities.

Sustainability **Report**

From August and September 2017, more than 200 staff took part in the local daily trip organized by the Group in 2 batches. The trip helped the staff from other provinces in the PRC to better understand the local culture and integrate with local society. It also promoted staff bonding with the organization.

GRI Content Index

GRI Standards	Disclosure	Description	Page Reference and Remarks
GRI 102: General Disclosures	102-1	Name of the organization	Overview of The Report (Page 28)
	102-2	Activities, brands, products, and services	Compnay Profile (Page 32)
	102-3	Location of headquarters	Compnay Profile (Page 32)
	102-4	Location of operations	Compnay Profile (Page 32)
	102-5	Ownership and legal form	General (Page 67)
	102-6	Markets served	Segment Information (Page 105)
	102-7	Scale of the organization	Our People (Page 39-40) Consolidated Statement of Profit or Loss and Other Comprehensive Income (Page 60-61) Investment in subsidiaries (Page 95)
	102-8	Information on employees and other workers	Our People (Page 39-40)
	102-9	Supply chain	Supply Chain Management (Page 34)
	102-10	Significant changes to the organization and its supply chain	None
	102-11	Precautionary Principle or approach	Strategic Approach (Page 33)
	102-12	External initiatives	External Initiatives (Page 33)
	102-13	Membership of associations	External Initiatives (Page 33)
GRI 102: Strategy	102-14	Statement from senior decision-maker	Chairman's Message (Page 29)
GRI 102: Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	Vision and Strategy (Page 32)
GRI 102: Governance	102-18	Governance structure	Committee Structure (Page 33)
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	Stakeholder Engagement (Page 33-34)
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	Stakeholder Engagement (Page 33-34)
	102-43	Approach to stakeholder engagement	Stakeholder Engagement (Page 33-34)
	102-44	Key topics and concerns raised	Stakeholder Engagement (Page 33-34)

Sustainability **Report**

GRI Standards	Disclosure	Description	Page Reference and Remarks
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	Scope of The Report (Page 28)
	102-46	Defining report content and topic Boundaries	Materiality Assessment (Page 34)
	102-47	List of material topics	Material ESG Factors (Page 34)
	102-48	Restatements of information	Not applicable as this is the first year of SR reporting
	102-49	Changes in reporting	Not applicable as this is the first year of SR reporting
	102-50	Reporting period	Scope of The Report (Page 1)
	102-51	Date of most recent report	Not applicable as this is the first year of SR reporting
	102-52	Reporting cycle	Scope of The Report (Page 28)
	102-53	Contact point for questions regarding the report	Comments and Feedback (Page 28)
	102-54	Claims of reporting in accordance with the GRI Standards	Core Option (33 Items)
	102-55	GRI content index	Page 49-50
	102-56	External Assurance	None
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Direct Economic Value Generated and Distributed (Page 35)
	201-2	Financial implications and other risks and opportunities due to climate change	None
	201-3	Defined benefit plan obligations and other retirement plans	None
	201-4	Financial assistance received from government	Exhibitions (Page 35-37)
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	Management Approach (Page 38)
GRI 301: Materials	301-1	Materials used by weight or volume	Material (Page 38)
	301-2	Recycled input materials used	None
	301-3	Reclaimed products and their packaging materials	Material (Page 38)
GRI 401: Employment	401-1	New employee hires and employee turnover	Our People (Page 39-40)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Benefits (Page 40)
	401-3	Parental leave	Maternity Leave (Page 40)
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Training & Development (Page 41)
	404-2	Programs for upgrading employee skills and transition assistance programs	Training & Development (Page 41)
	404-3	Percentage of employees receiving regular performance and career development reviews	Training & Development (Page 41)

Financial **Statements**

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Directors' **Statement**

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2017.

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 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year 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
Hong Shui Ku	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:

	Direct interest		Deemed interest	
Name of Director and respective companies in which interests are held	**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	468,640	468,640	9,600,000	9,600,000
Hong Peng You	–	–	200,000	200,000
Hong Shui Ku	–	–	208,400	208,400

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

Hong's Holdings Private Limited holds 9,600,000 shares in the Company as at 31 December 2017. 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.

The Directors' interests as at 21 January 2018 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2017.

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 as 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 and carried out its below functions:

(i) reviewed the audit plan and results of the external audit, including the evaluation of the internal accounting controls and its cost effectiveness, and 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 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 quarterly, 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 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.

Further details regarding the Audit Committee are set out in the Corporate Governance Report on pages 23 to 25 of this annual report.

Directors' **Statement**

6. Audit Committee (Continued)

The Audit Committee has full access to and has the co-operation of 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	**Hong Peng You** Director

4 April 2018

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 2017, 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 from pages 60 to 117.

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 Financial Reporting Standards in Singapore (FRS) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 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 judgment 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 3 significant components which required a full scope 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 to be 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.

Revenue recognition (refer to Note 4 to the financial statements)	
Key audit matter	**Our audit response**
In accordance to SSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, 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. FRS 18 *Revenue* ("FRS 18") and the Group's revenue recognition policy permit revenue to be recognised only when significant risks and rewards of ownership have transferred from the Group to its customers for the sale of goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the Group is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and it has been assessed that it is probable for the economic benefits associated with the transaction to flow to the Group.	Our audit procedures included, and were not limited to the followings: 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 FRS 18. We analysed the gross profit margin of the Group, performed substantive and cut-off tests on a sample basis, by verifying against acknowledged delivery orders to determine the point of revenue recognition. We introduced an element of unpredictability in our audit procedures by haphazardly selecting certain sales transaction to observe the actual delivery and receipt of goods by the customers as well as site visit of the customers.

Investment property (refer to Note 14 to the financial statements)	
Key audit matter	**Our audit response**
The investment property pertains to an office building in Xiamen, China. The construction was completed during the year. The management is currently exploring the options of either selling or renting the units within the office building. They are still in negotiation with various potential buyers on the price. The fair value of the investment property is based on the valuation performed by an independent professional valuer engaged by the management. The fair value is determined based on the property's highest and best-use basis of commercial property using the Direct Market Comparison Method. We focused on this area because significant judgement was exercised by the independent professional valuer in arriving at the fair value of the investment property.	Our audit procedures included, and were not limited to the followings: We have reviewed the professional competence, objectivity and independence of the independent professional valuer. We have also reviewed the appropriateness of the basis used by the independent professional valuer, including the assumptions applied.

Key Audit Matters (Continued)

Allowance for receivables (refer to Note 19 to the financial statements)	
Key audit matter	**Our audit response**
The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* to determine when trade and other receivables are impaired. This determination requires certain level of judgement. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The Group evaluates, among other factors, financial status of the debtors, any changes in the collection status and changes in industry conditions that affect the debtors. Trade and other receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our audit procedures included, and were not limited to the followings: We reviewed outstanding debts as of 31 December 2017, differentiated in two streams, namely major customers and long outstanding debts exceeding credit terms granted. The Group's top six trade receivable balances contributed to 64% of the total trade receivables as at 31 December 2017. We performed background checks on the corresponding customers' financial standing and researched for any adverse news relating to these customers' operations or financial positions. We also performed subsequent receipts testing. We noted that long outstanding debts with ageing more than 180 days amounted to RMB70 million. However, the Group only provided RMB51 million as provision for doubtful debts. The remaining receivables of RMB19 million pertained to regular customers who have been making regular payments.

Going concern (refer to Note 2.1 to the financial statements)	
Key audit matter	**Our audit response**
During the financial year ended 31 December 2017, the Group reported net current liabilities position of RMB101 million. This condition indicated the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. As at 31 December 2017, the Group's current liabilities included a bank loan amounting to RMB110 million and the corresponding loan agreement contains a clause that gives the bank the right to recall the outstanding loan on demand. In addition, the Group is also in breach of loan covenant clause, whereby the Group is required to be in current asset position. Notwithstanding the aforementioned term, based on the loan repayment schedule, the loan is only due for repayment in 2021. The loan was granted to the Group in 2013 and it is secured by the Group's investment property. Excluding the effects of this loan from current liabilities, the Group would report net current assets position of RMB9 million. Other than the bank loan, as at 31 December 2017, the Group has outstanding short-term loans and bill payables amounting to RMB312 million. These short-term loans and bill payables are revolving loans that are renewable on an annual basis.	Our audit procedures included, and were not limited to the followings: We reviewed the past trend of renewal of loan facility of the Group with the banks. We also reviewed the bank facility letter and the cash flows forecast for the 12 months subsequent to the reporting date and the management key assumptions to the cash flows forecast.

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 FRS, 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 director's 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.

- 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
4 April 2018

Consolidated Statement of **Profit or Loss and Other Comprehensive Income**

For the financial year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	921,754	832,346
Cost of sales		(863,533)	(783,531)
Gross profit		58,221	48,815
Other items of income			
Other income	5	31,038	25,285
Interest income	6	1,035	2,043
Other items of expenses			
Marketing and distribution expenses		(5,917)	(6,271)
Administrative expenses		(33,748)	(94,215)
Other expenses	7	(10,962)	(38,060)
Financial costs	6	(14,229)	(14,176)
Profit/(Loss) before income tax	8	25,438	(76,579)
Income tax (expense)/credit	11	(9,224)	6,142
Profit/(Loss) for the year		16,214	(70,437)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		7,037	(7,127)
Total comprehensive income/(loss) for the year attributable to owners of the Company		23,251	(77,564)
Earning/(Loss) per share (RMB per share)			
Basic and diluted	12	0.94	(4.1)

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

Statements of **Financial Position**

As at 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	13	262,571	241,313	–	–
Investment property	14	498,470	476,100	–	–
Land use rights	15	28,743	29,648	–	–
Intangible assets	16	–	–	–	–
Prepayments	20	1,144	429	–	–
Investment in subsidiaries	17	–	–	344,853	344,853
		790,928	747,490	344,853	344,853
Current assets					
Inventories	18	56,495	57,732	–	–
Trade and other receivables	19	284,101	271,303	390,700	399,871
Prepayments	20	92,623	73,737	–	–
Cash and short-term deposits	21	198,051	288,698	359	266
		631,270	691,470	391,059	400,137
Total assets		1,422,198	1,438,960	735,912	744,990
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	22	772,574	772,574	772,574	772,574
Treasury shares	22	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	23	65,870	64,857	–	–
Capital reserve	23	39,573	39,573	39,573	39,573
Restructuring reserve	23	(117,878)	(117,878)	–	–
Foreign currency translation reserve	23	(4,168)	(11,205)	–	–
Accumulated losses		(88,386)	(103,587)	(80,802)	(71,021)
Total equity		661,177	637,926	724,937	734,718
Current liabilities					
Trade and other payables	24	227,166	255,662	9,250	7,980
Other liabilities	25	173,706	158,024	1,725	2,292
Loans and borrowings	26	326,673	360,849	–	–
Income tax payable		5,076	4,057	–	–
		732,621	778,592	10,975	10,272
Non-current liability					
Deferred tax liabilities	27	28,400	22,442	–	–
Total liabilities		761,021	801,034	10,975	10,272
Total equity and liabilities		1,422,198	1,438,960	735,912	744,990

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 2017

	Attributable to owners of the Company							
2017	**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	**Total equity** RMB'000
Group								
Balance at 1 January 2017	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	637,926
Profit for the year	–	–	–	–	–	–	16,214	16,214
Other comprehensive income								
Exchange differences on translating foreign operations	–	–	–	–	–	7,037	–	7,037
Total comprehensive income for the year	–	–	–	–	–	7,037	16,214	23,251
Contributions by and distributions to owners								
Appropriation to reserve fund	–	–	1,013	–	–	–	(1,013)	–
Total transactions with owners in their capacity as owners	–	–	1,013	–	–	–	(1,013)	–
Balance at 31 December 2017	772,574	(6,408)	65,870	39,573	(117,878)	(4,168)	(88,386)	661,177

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 2017

	Attributable to owners of the Company							
2016	**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	**Total equity** RMB'000
Group								
Balance at 1 January 2016	772,574	(6,408)	64,590	39,573	(117,878)	(4,078)	(32,883)	715,490
Loss for the year	–	–	–	–	–	–	(70,437)	(70,437)
Other comprehensive loss								
Exchange differences on translating foreign operations	–	–	–	–	–	(7,127)	–	(7,127)
Total comprehensive loss for the year	–	–	–	–	–	(7,127)	(70,437)	(77,564)
Contributions by and distributions to owners								
Appropriation to reserve fund	–	–	267	–	–	–	(267)	–
Total transactions with owners in their capacity as owners	–	–	267	–	–	–	(267)	–
Balance at 31 December 2016	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	637,926

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 2017

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Accumulated profits/(losses) RMB'000	Total equity RMB'000
Company					
Balance at 1 January 2016	772,574	(6,408)	39,573	19,994	825,733
Loss for the year, representing total comprehensive loss for the year	–	–	–	(91,015)	(91,015)
Balance at 31 December 2016	772,574	(6,408)	39,573	(71,021)	734,718
Loss for the year, representing total comprehensive loss for the year	–	–	–	(9,781)	(9,781)
Balance at 31 December 2017	772,574	(6,408)	39,573	(80,802)	724,937

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 2017

	Note	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit/(Loss) before income tax		25,438	(76,579)
Adjustments for:			
Depreciation of property, plant and equipment	13	29,458	34,463
Amortisation of land use rights	15	905	937
Amortisation of intangible assets	16	–	5
Write off of property, plant and equipment	13	–	16,368
Gain on disposal of subsidiary	17	–	(12,788)
(Gain)/Loss from fair valuation on investment property	14	(13,912)	37,033
Write off of advances to suppliers		–	1,184
Net (Write back of)/allowance for doubtful trade receivables	19	(275)	13,216
Net (Write back of)/allowance for doubtful other receivables	19	(15,989)	15,989
Inventory written down		–	1,086
Provision for social security contribution	8	1,904	(360)
Interest expense	6	14,229	14,176
Interest income	6	(1,035)	(2,043)
Foreign currency loss		4,136	1,961
Total adjustments		19,421	121,227
Operating cash flows before changes in working capital		44,859	44,648
Changes in working capital:			
Inventories		1,237	(6,795)
Trade and other receivables		(12,523)	(23,995)
Prepayments		(18,886)	(10,518)
Trade and other payables		(28,496)	43,847
Other liabilities		13,778	11,637
Total changes in working capital		(44,890)	14,176
Cash flows (used in)/generated from operations		(31)	58,824
Interest paid		(14,229)	(14,176)
Interest received		1,035	2,043
Income taxes paid		(2,247)	(31,507)
Net cash flows (used in)/generated from operating activities		**(15,472)**	**15,184**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(14,901)	(18,051)
Construction of investment property	14	(44,988)	(136,513)
Proceeds from doubtful debts recovered	19	15,989	–
Disposal of subsidiary, net of cash disposed	17	–	18,685
Net cash flows used in investing activities		**(43,900)**	**(135,879)**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		157,060	178,000
Repayments of loans and borrowings		(187,000)	(139,000)
Decrease in fixed deposits pledged to banks		8,400	850
Net cash (used in)/generated from financing activities		**(21,540)**	**39,850**
Net decrease in cash and cash equivalents		(80,912)	(80,845)
Cash and cash equivalents at beginning of financial year		229,227	310,072
Cash and cash equivalents at end of financial year	21	**148,315**	**229,227**

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 2017

Reconciliation of assets/liabilities arising from financing activities

			Non-cash movements	
	1 January 2017	Financing cash inflows / (outflows)	Foreign exchange movement	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Loans and borrowings (excluding bank overdraft)	341,278	(29,940)	(2,901)	308,437
Assets				
Pledged deposits	(39,900)	8,400	–	(31,500)

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

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 2017 were authorised for issue by the Board of Directors on 4 April 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements 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 ("FRS") including related Interpretations of FRSs ("INT FRS") 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.

<u>Going concern</u>

During the financial year ended 31 December 2017, the Group reported net current liabilities position of RMB101 million. This condition appeared to indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

As at 31 December 2017, the Group's current liabilities included a bank loan amounting to RMB110 million and the corresponding loan agreement contains a clause that gives the bank to recall the outstanding loan on demand. Notwithstanding the aforementioned term, based on the loan repayment schedule, the loan is only due for repayment in 2021. The loan was granted to the Group in 2013 and it is secured by an investment property as of 31 December 2017. Excluding the effects of this loan from current liabilities, the Group would report net current assets position of RMB9 million.

Other than the bank loan, the Group also took on short-term loans and bill payables amounting to RMB312 million as of 31 December 2017. These short-term loans and bill payables were revolving loans that are renewable on an annual basis.

2. Summary of significant accounting policies (Continued)

2.1 *Basis of preparation (Continued)*

Going concern (Continued)

If the Group were unable to generate sufficient working capital for its present requirements, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify its non-current assets as current assets. No such adjustments have been made to these accompanying financial statements.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRSs that are relevant to its operations and effective for the annual periods beginning on or after 1 January 2017. Other than the following standard, the adoption of these new/revised FRSs and INT FRSs did not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

FRS 7 *Amendments to FRS 7: Disclosure Initiative*

Consequent to the adoption of this amendment, the Group has disclosed the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

FRSs and INT FRSs issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
Various	Improvements to FRSs (December 2016)	1 January 2018
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRSs and INT FRSs issued but not yet effective (Continued)

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

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2017. The management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. The Group has not completed its full assessment of the potential impact of FRS 109 on its financial statements in the initial year of adoption. Preliminary, based on currently known and reasonably estimable information relevant to it assessment, the Group does not expect to have material impact in its initial adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 *Construction contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group has not completed its full assessment of the potential impact of FRS 115 on its financial statements in the initial year of adoption. Preliminary, based on currently known and reasonably estimable information relevant to it assessment, the Group does not expect to have material impact in its initial adoption.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the “ASC”) issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”) as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board (“IASB”) at 31 December 2017 that are applicable for annual reporting periods beginning on1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS (I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) (“SFRS(I) 1”) which is equivalent to IFRS 1 First-Time Adoption of International Financial Reporting Standards and which mandates, amongst other disclosure requirements, the Group’s presentation of at least 3 statements of financial position, including comparative information for all statements presented.

The Group has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I) 1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant revised/new FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group’s initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

2. Summary of significant accounting policies (Continued)

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.

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 FRS 39 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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations

Business combinations from 1 January 2010

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 FRS 103 *Business Combination* ("FRS 103") 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 FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

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 FRS 103 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 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.

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Common Control Business Combination Outside the Scope of FRS 103

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 FRS 103. 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.

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

Common Control Business Combination Outside the Scope of FRS 103 (Continued)

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 FRS 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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Interest income

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

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. Summary of significant accounting policies (Continued)

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.

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

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 vechicles	10% to 20%
• Office equipment	20%

No depreciation is charged or 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.

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

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

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.

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 tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible 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 2017

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.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They 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.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and short-term deposits.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the 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.

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 retained earnings of the Company if the shares are purchased out of earnings 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

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

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, and other liabilities

Trade and other payables, and other liabilities 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.

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 Group's accounting policy for borrowing costs (see above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of 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 obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

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.

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 2017

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.

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 currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities 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 currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' 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.

Estimated fair value of investment property

Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at fair value, determined annually by independent valuers which based on the income method that made reference to estimated market rental values and equivalent yields. Gains or losses arising from changes in the fair value of investment property are recognised in the profit or loss in the year in which they arise. The fair value of the investment property is disclosed in Note 31 to the financial statements.

Allowance for doubtful trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2017 are disclosed in Note 19 to the financial statements.

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

3.2 Key sources of estimation uncertainty (Continued)

Impairment of prepayments

The Group's prepayments mainly pertain to the advances to supplier for future purchases. The Group assesses at the end of each reporting period whether there is any objective evidence that the prepayment is impaired. Factors such as the probability of insolvency or significant financial difficulties of the supplier and default or significant delay in delivery of goods purchased are objective evidence of impairment. If the financial conditions of these suppliers were to deteriorate, resulting in an impairment of their ability to deliver the goods purchased or to refund the payments, additional allowances may be required. The carrying amount of the Group's prepayments as at 31 December 2017 is disclosed in Note 20 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 amounts of the Group's property, plant and equipment at 31 December 2017 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 2017 is disclosed in Note 18 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 FRS 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 2017 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 amounts of the Group's current tax payables as at 31 December 2017 were RMB 5,076,000 (2016: RMB 4,057,000).

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

4. Revenue

	Group 2017 RMB'000	Group 2016 RMB'000
Sales of goods	872,745	787,888
Rental Income	85	–
Processing services	48,924	44,458
	921,754	832,346

5. Other income

	Group 2017 RMB'000	Group 2016 RMB'000
Government grant	349	592
Gain on valuation of investment property (Note 14)	13,912	–
Gain on disposal of subsidiary (Note 17)	–	12,788
Reversal of doubtful receivables (Note 19)	16,264	–
Foreign exchange gain, net	–	10,930
Others	513	975
	31,038	25,285

6. Interest income and financial costs

	Group 2017 RMB'000	Group 2016 RMB'000
Interest income from:		
- Bank deposits	1,035	2,043
Interest expense on:		
- Bank loans	14,229	14,176

7. Other expenses

	Group 2017 RMB'000	Group 2016 RMB'000
Donations	–	3
Foreign exchange loss, net	9,474	–
Loss on valuation of investment property (Note 14)	–	37,033
Others	1,488	1,024
	10,962	38,060

8. Profit/(Loss) before income tax

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

	Group	
	2017	**2016**
	RMB'000	RMB'000
Net allowance for doubtful debts (Note 19)	–	29,205
Write off of advances to suppliers	–	1,184
Inventories written down	–	1,086
Personnel expenses (Note 10)	64,012	67,931
Provision for social security contribution	1,904	(360)
Audit fees charged by auditors of the Company	1,234	1,122

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.

(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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

9. Significant related party transactions (Continued)

Compensation of directors and key management personnel

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Total compensation to key management personnel – salaries, bonuses and fees (included in personnel expenses in Note 10)	3,067	3,064	1,950	1,950
Comprises amounts paid to:				
- Directors	1,878	1,878	1,350	1,350
- Other key management personnel	1,189	1,186	600	600
	3,067	3,064	1,950	1,950

No defined contribution plans were paid to key management personnel.

10. Personnel expenses

	Group	
	2017	**2016**
	RMB'000	RMB'000
Salaries and bonuses	63,692	67,571
Contribution to defined contribution plans	320	360
	64,012	67,931

11. Income tax expense/(credit)

	Group	
	2017	**2016**
	RMB'000	RMB'000
Current income tax:		
- Current financial year	3,266	2,841
Deferred income tax (Note 27)		
- Current financial year	5,958	(8,983)
Total income tax expense/(credit)	9,224	(6,142)

11. Income tax expense/(credit) (Continued)

The reconciliation between tax expense/(credit) and the product of profit/(loss) before income tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Profit/(Loss) before income tax	25,438	(76,579)
Tax at the domestic tax rates applicable to profits in the countries where the Group operates	7,074	(24,035)
Adjustments:		
- Non-deductible expenses	7,591	16,152
- Income not subject to taxation	(6,362)	–
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries	2,412	797
- Deferred tax assets not recognised	–	2,992
- Others	(1,491)	(2,048)
Total income tax expense/(credit)	9,224	(6,142)

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.

(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 FIEs 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 2017 (2016: 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 2017 (2016: 25%).

No provision for income tax has been made for Xiamen Fuxing as it has no assessable profits during the financial years ended 31 December 2017 and 2016.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

11. Income tax expense/(credit) (Continued)

(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 2017 is 16.5% (2016: 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 2017 and 2016.

Unutilised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 73,180,000 (2016: RMB 73,180,000) 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.

12. Earning/(Loss) per share

Basic earning/(loss) per share is calculated by dividing the profit/(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 (2016: 17,205,438).

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

	Group	
	2017	**2016**
	RMB'000	RMB'000
Profit/(Loss) for the year attributable to owners of the Company	16,214	(70,437)
	No. of shares	**No. of shares**
	'000	**'000**
Weighted average number of ordinary shares for diluted earnings per share computation	17,205	17,205

Note: Basic earning/(loss) per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2016: 17,205,438).

	Group	
	2017	**2016**
Basic and diluted earning/(loss) per share (RMB per share)	0.94	(4.1)

13. Property, plant and equipment

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group						
Cost						
At 1 January 2016	238,765	281,402	13,897	8,471	–	542,535
Additions	17,692	–	312	17	2	18,023
Disposal of a subsidiary	(11,446)	(10,579)	(1,408)	(1,318)	–	(24,751)
Write off	(70,858)	–	(1,470)	(3,033)	–	(75,361)
At 31 December 2016	174,153	270,823	11,331	4,137	2	460,446
Additions	12,083	43	1,496	225	339	14,186
Transfer from investment property (Note 14)	–	36,530	–	–	–	36,530
Write off	(5,922)	–	(39)	(1)	–	(5,962)
At 31 December 2017	180,314	307,396	12,788	4,361	341	505,200
Accumulated depreciation						
At 1 January 2016	139,291	98,248	12,337	7,500	–	257,376
Depreciation charge for the financial year	18,588	15,054	530	289	2	34,463
Disposal of a subsidiary	(7,751)	(4,147)	(907)	(908)	–	(13,713)
Write off	(54,490)	–	(1,470)	(3,033)	–	(58,993)
At 31 December 2016	95,638	109,155	10,490	3,848	2	219,133
Depreciation charge for the financial year	13,911	14,875	537	135	–	29,458
Write off	(5,922)	–	(39)	(1)	–	(5,962)
At 31 December 2017	103,627	124,030	10,988	3,982	2	242,629
Net carrying amount						
At 31 December 2017	76,687	183,366	1,800	379	339	262,571
At 31 December 2016	78,515	161,668	841	289	–	241,313

Certain units of the investment property were designated as the Group's head office. Accordingly, it was transferred to property, plant and equipment based on the fair value of the property transferred which was determined based on valuation performed by independent professional valuer as at 31 December 2017.

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

13. Property, plant and equipment (Continued)

Purchase of property, plant and equipment

	Group	
	2017	**2016**
	RMB'000	RMB'000
Aggregate cost of property, plant and equipment acquired	14,186	18,023
Less: Prepayments made in prior financial year (Note 20)	(429)	(401)
Add: Prepayments made in current financial year (Note 20)	1,144	429
Net cash outflow for purchase of property, plant and equipment	14,901	18,051

Assets pledged as security

As of 31 December 2017, certain buildings of the Group with net carrying amount of RMB 178,182,000 (2016: RMB 155,327,873) were pledged as security for the facility of bills payables (Note 24) and short-term bank loans (Note 26).

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.

14. Investment property

	Group	
	2017	**2016**
	RMB'000	RMB'000
At fair value:		
At 1 January	476,100	376,620
Additions	44,988	136,513
Transferred to PPE	(36,530)	–
Revaluation (loss)/gain included in profit or loss (Note 5 and 7)	13,912	(37,033)
At 31 December	498,470	476,100
Statement of comprehensive income		
Rental income from investment property:		
- Minimum lease payments	85	–
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating expenses	–	–

The construction of the investment property was completed during the year. The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Borrowing costs of approximately RMB 4,779,133 (2016: RMB 6,073,000) which arose on the financing specifically entered into for the construction of the investment property was capitalised during the year.

14. Investment property (Continued)

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation performed as at 31 December 2017 and 31 December 2016. The valuation of investment property was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd, on 31 December 2017 and 31 December 2016. 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 market comparable approach that makes reference to market values of the comparable properties in the same area. The construction of the investment property was completed towards the year end, therefore no significant rental income has been generated.

Property pledged as security

Investment property with a carrying value of RMB 498,470,000 (2016: RMB 476,100,000) is mortgaged to secure short-term loans (Note 26).

Details of the investment property held by the Group as at 31 December 2017 and 2016 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	5,238 sq m	Office	Leasehold	28 April 2061

15. Land use rights

	Group	
	2017	**2016**
	RMB'000	RMB'000
Cost		
At 1 January	35,300	38,206
Disposal of a subsidiary	–	(2,906)
At 31 December	35,300	35,300
Accumulated amortisation		
At 1 January	5,652	5,245
Additions	905	937
Disposal of a subsidiary	–	(530)
At 31 December	6,557	5,652
Net carrying amount		
At 31 December	28,743	29,648
Amount to be amortised		
- Not later than one year	855	905
- Later than one year but not later than five years	4,275	4,525
- Later than five years	23,613	24,218

The Group has land use rights over six plots (2016: six plots) of state-owned land in 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 29 years to 41 years (2016: 30 years to 42 years).

16. Intangible assets

	Software	Patent	Customer base	Operating licence	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
Cost					
At 1 January 2016, 31 December 2016 and 2017	209	46,000	71,951	98,254	216,414
Accumulated amortisation					
At 1 January 2016	204	20,262	18,587	10,793	49,846
Amortisation	5	–	–	–	5
At 31 December 2016 and 2017	209	20,262	18,587	10,793	49,851
Accumulated impairment					
At 1 January 2016, 31 December 2016 and 2017	–	25,738	53,364	87,461	166,563
Net carrying amount					
At 31 December 2016 and 2017	–	–	–	–	–

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 remain dormant.

17. Investment in subsidiaries

	Company 2017 RMB'000	Company 2016 RMB'000
Unquoted shares, at cost	344,853	344,853

Name	Country of incorporation	Principal activities	Effective equity held by the Company 2017 %	Effective equity held by the Company 2016 %
Held by the Company				
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
Held through Jade Star				
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
Held through FCG				
Xiamen Fuxing Industrial Company Limited ("Xiamen Fuxing") (1)	People's Republic of China	Real estate development	100	100

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.

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17. Investment in subsidiaries (Continued)

Disposal of subsidiary

On 26 July 2016, Jade Star Group Holdings Limited, a wholly owned subsidiary of the Company disposed of its entire interest in Qingdao Hong Shi High Technological Co., Ltd. for cash consideration of RMB 21,000,000 to an independent third party.

Carrying amounts of the assets and liabilities as at the date of disposal

	2016
	RMB'000
Property, plant and equipment	11,038
Land use rights	2,376
Inventories	5,887
Trade and other receivables	5,850
Prepayments	682
Cash and cash equivalents	2,315
Trade and other payables	(19,406)
Deferred tax liabilities	(530)
Net assets disposed off	8,212
Sales consideration	(21,000)
Gain on disposal of subsidiary	12,788

Effects of the disposal on cash flows:

	2016
	RMB'000
Cash consideration received	21,000
Cash and cash equivalents disposed of	(2,315)
Net cash inflow on disposal	18,685

18. Inventories

	Group	
	2017	**2016**
	RMB'000	RMB'000
Raw materials	12,986	18,478
Work-in-progress	10,754	8,939
Finished goods	32,755	30,315
	56,495	57,732

The Group has recognised RMB 861,527,000 and RMB Nil (2016: RMB 771,925,000 and RMB 1,086,000) respectively, as an expense in cost of sales and inventories written down in administrative expenses. Included in the inventories written down in 2016 of RMB 1,086,000 were an inventories amounting to RMB 600,000 that were damaged by typhoon.

19. Trade and other receivables

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
Trade receivables		310,349	316,740	–	–
Allowance for doubtful debts		(60,333)	(60,608)	–	–
		250,016	256,132	–	–
Bills receivable		28,956	8,973	–	–
Other receivables		5,129	22,187	2	2
Amount due from subsidiaries (non-trade)		–	–	481,061	496,567
Allowance for doubtful debts		–	(15,989)	(90,363)	(96,698)
Total trade and other receivables		284,101	271,303	390,700	399,871
Add: Cash and short-term deposits	21	198,051	288,698	359	266
Total loans and receivables		482,152	560,001	391,059	400,137

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 90 to 180 days (2016: 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 2017 and 2016.

Bills receivable

Bills receivable are interest-free and have maturity periods of approximately 180 days (2016: 180 days) and are denominated in the functional currencies of the respective companies.

Related party balances

Amounts 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 currencies of the respective companies except for an amount of RMB71,300,000 (2016: RMB76,298,000) which are denominated in Hong Kong dollar ("HKD").

Receivables that are past due but not impaired

The Group has trade receivables amounting to RMB 7,759,000 (2016: RMB 12,884,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

	Group 2017 RMB'000	Group 2016 RMB'000
Trade receivables past due but not impaired:		
More than 180 days	7,759	12,884

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

19. Trade and other receivables (Continued)

Receivables that are impaired

The Group's trade and other receivables that are impaired at the end of the reporting period and the movements of the allowance accounts used to record the impairment are as follows:

Trade receivables

	Group	
	2017	**2016**
	RMB'000	RMB'000
Trade receivables	60,333	60,608
Less: allowance for doubtful trade receivables	(60,333)	(60,608)
	–	–
Movement in allowance for doubtful account:		
At 1 January	60,608	47,392
Charge for the financial year	–	16,103
Written back	(275)	(2,887)
At 31 December	60,333	60,608

The write back of doubtful debts pertain to those doubtful debts provided in prior financial year and were recovered during the financial year.

Other receivables and amount due from subsidiaries (non-trade)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from subsidiaries (non-trade)	–	–	90,363	96,698
Other receivables	–	15,989	–	–
Less: allowance for doubtful other receivables	–	(15,989)	(90,363)	(96,698)
	–	–	–	–
Movement in allowance for doubtful account:				
At 1 January	15,989	–	96,698	–
Foreign exchange	–	–	(6,335)	–
Charge for the financial year	–	15,989	–	96,698
Written back	(15,989)	–	–	–
At 31 December	–	15,989	90,363	96,698

In 2016, other receivables were mainly due to an amount of approximately RMB 16 million due by a former subsidiary which was disposed of during the year. In 2017, the write back of doubtful debts pertained to those doubtful debts provided in prior financial year and was recovered during the financial year.

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

20. Prepayments

	Group	
	2017	**2016**
	RMB'000	RMB'000
Non-current:		
Prepayments for property, plant and equipment	1,144	429
Current:		
Advances to suppliers	90,161	71,616
Prepaid operating expenses	2,462	2,121
	92,623	73,737
Total prepayments	93,767	74,166

The prepayments are denominated in the functional currency of the respective entities as at 31 December 2017 and 2016. During the financial year, the Group written off RMB Nil (2016: RMB 1,184,000) of advances to suppliers as they were no longer contactable.

21. Cash and short-term deposits

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	166,551	248,798	359	266
Short-term deposits	31,500	39,900	–	–
Cash and short-term deposits	198,051	288,698	359	266

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 31,500,000 (2016: RMB 39,900,000) are pledged to banks for the Group's bills payables to banks (Note 24) and bank overdrafts (Note 26).

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar	–	118	–	70
Singapore Dollar	110	189	110	189
Hong Kong Dollar	248	342	248	7

21. Cash and short-term deposits (Continued)

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	
	2017	**2016**
	RMB'000	RMB'000
Cash and short-term deposits	198,051	288,698
Less: short-term deposits pledged	(31,500)	(39,900)
Cash and unpledged short-term deposits	166,551	248,798
Less: bank overdrafts (Note 26)	(18,236)	(19,571)
Cash and cash equivalents	148,315	229,227

22. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2017		**2016**	
	No. of shares	**Value**	**No. of shares**	**Value**
	'000	RMB'000	'000	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 S$5 each.

(b) Treasury shares

	Group and Company			
	2017		**2016**	
	No. of shares	**Value**	**No. of shares**	**Value**
	'000	RMB'000	'000	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.

23. 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 S$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 S$0.10 each in the Company at an aggregate excess value of S$7,777,712 (RMB 39,572,999), credited to the capital reserve of the Company.

(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.

24. Trade and other payables

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RMB'000	RMB'000	RMB'000	RMB'000
Trade payables		7,482	8,640	–	–
Bills payables to banks		113,793	144,478	–	–
Provision for minimum tax contribution		95,000	95,000	–	–
Amounts due to directors (non-trade)		10,891	7,544	9,250	7,980
Total trade and other payables		227,166	255,662	9,250	7,980
Add: Other liabilities	25	173,706	158,024	1,725	2,292
Add: Loans and borrowings	26	326,673	360,849	–	–
Total financial liabilities carried at amortised cost		727,545	774,535	10,975	10,272

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24. Trade and other payables (Continued)

Trade payables

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

Bills payables to banks

	Group	
	2017	**2016**
	RMB'000	RMB'000
Bill payable 1	51,000	54,000
Bill payable 2	15,000	30,000
Bill payable 3	47,793	60,478
	113,793	144,478

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

1 Bill payable to bank amounting to RMB 51,000,000 (2016: RMB 54,000,000) 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, Shenhu 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 Bill payable to bank amounting to RMB 15,000,000 (2016: 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, Shenhu 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 amounting to RMB 47,793,000 (2016: RMB 60,478,000) is secured by a charge over investment property (13^{th} floor which is the top floor) owned by Pretty Limited and part of 12^{th} floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, corporate guarantee from Fuxing China Group Limited, and personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO).

Pretty Limited is wholly-owned by Mr. Hong Qing Liang (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 2017 and 2016.

25. Other liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	52,422	41,178	–	–
Accrued salary and bonuses	37,311	34,810	350	369
Other accruals	83,973	82,036	1,375	1,923
	173,706	158,024	1,725	2,292

Other accruals mainly pertain to the accruals of construction cost in relation to the investment property. All other liabilities are denominated in the functional currencies of the respective entities as at 31 December 2017 and 2016.

26. Loans and borrowings

	Group	
	2017	**2016**
	RMB'000	RMB'000
Short-term bank loans:		
Loan 1	129,060	159,000
Loan 2	9,000	9,000
Loan 3	41,377	44,278
Loan 4	110,000	110,000
Loan 5	19,000	19,000
	308,437	341,278
Bank overdraft	18,236	19,571
Total loans and borrowings	326,673	360,849

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, Shenhu 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.

26. Loans and borrowings (Continued)

3 The short-term loan of RMB 41,377,000 and bank overdraft of RMB 18,236,000 are secured by a charge over investment property (13th floor which is the top floor) owned by Pretty Limited and part of 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, charge over investment property (Unit 13 on 5th Floor, Unit 15 on 16th Floor and Unit 15 on 25th Floor, Sea Power Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, rental receipt arising from the mortgaged properties, corporate guarantee from Fuxing China Group Limited, and personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO).

Pretty Limited and Goldplan Corporation Limited are wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).

4 This loan is secured by a land parcel 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% (2016: 6.55%) and is only due for repayment in 2021. However, the loan agreement contains a clause that gives the bank the right to recall the outstanding loan on demand.

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.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 31 December 2017 and 2016. Except for Loan 4, the short-term loans bear interest ranging from 3.3% to 9.0% (2016: 3.3% to 9.0%) and are repayable within 12 months.

27. Deferred tax liabilities

Deferred tax as at 31 December relates to the following:

	Accelerated tax depreciation RMB'000	Revaluation of investment property RMB'000	Withholding tax on undistributed profits [1] RMB'000	Total RMB'000
Group				
Deferred tax liabilities				
At 1 January 2016	9,565	14,614	36,852	61,031
Distribution of profit	–	–	(29,606)	(29,606)
(Credit)/Charge to profit or loss	(530)	(9,250)	797	(8,983)
At 31 December 2016	9,035	5,364	8,043	22,442
Charge to profit or loss	68	3,478	2,412	5,958
At 31 December 2017	9,103	8,842	10,455	28,400

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 FRS 12.39 on profits accumulated from 1 January 2008 onwards.

28. 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.

(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.

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28. Segment information (Continued)

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.

<u>Geographical information</u>

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

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	456,894	403,877	790,926	747,486
Hong Kong	464,860	428,469	2	4
	921,754	832,346	790,928	747,490

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.

28. 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 2017 and 2016.

	Zipper Chain RMB'000	Zipper Slider RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
Group							
31 December 2017							
Revenue:							
Sales to external customers	310,086	97,799	464,860	48,924	–	–	921,669
Rental income	–	–	–	–	85	–	85
Inter-segment sales	–	9,269	–	18,816	–	(28,085)	–
Total revenue	310,086	107,068	464,860	67,740	85	(28,085)	921,754
Results:							
Segment gross profit	36,257	11,171	10,562	146	85	–	58,221
Segment results	26,299	12,083	10,697	(5,758)	(4,689)	–	38,632
Interest income	855	145	–	8	27		1,035
Financial costs	(8,319)	–	(3,335)	(1,616)	(959)	–	(14,229)
Profit before income tax							25,438
Income tax expense							(9,224)
Net profit attributable to shareholders							16,214
Other segment information							
Fair value gain on investment property	–	–	–	–	(13,912)	–	(13,912)
Depreciation and amortisation	16,109	2,840	2	11,271	141	–	30,363
Provision for social security contribution	796	560	–	548	–	–	1,904
Net write back of doubtful trade and other receivables	(9,153)	(7,099)	–	(12)	–	–	(16,264)
Total assets	490,625	96,547	144,241	153,085	537,700	–	1,422,198
Total assets include:							
Capital expenditure for property, plant and equipment	3,853	7,166	–	2,784	383	–	14,186
Total liabilities	(261,608)	(40,471)	(107,600)	(135,515)	(215,827)	–	(761,021)

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28. Segment information (Continued)

Business segments (Continued)

	Zipper Chain RMB'000	Zipper Slider RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
Group							
31 December 2016							
Revenue:							
Sales to external customers	264,541	94,878	428,469	44,458	–	–	832,346
Inter-segment sales	1,484	8,723	–	20,127	–	(30,334)	–
Total revenue	266,025	103,601	428,469	64,585	–	(30,334)	832,346
Results:							
Segment gross profit	28,062	10,134	9,287	1,332	–	–	48,815
Segment results	(19,712)	(11,611)	9,775	(15,901)	(26,997)	–	(64,446)
Interest income	1,817	214	–	8	4	–	2,043
Financial costs	(8,879)	–	(3,560)	(1,737)	–	–	(14,176)
Loss before income tax							(76,579)
Income tax credit							6,142
Net loss attributable to shareholders							(70,437)
Other segment information							
Fair value loss on investment property	–	–	–	–	37,033	–	37,033
Depreciation and amortisation	19,319	3,783	3	12,298	2	–	35,405
Provision for social security contribution	797	(342)	–	(815)	–	–	(360)
Write off of property, plant and equipment	5,378	6,055	–	4,935	–	–	16,368
Net allowance for doubtful trade and other receivables	16,893	10,101	–	2,211	–	–	29,205
Total assets	529,623	111,394	161,634	156,727	479,582	–	1,438,960
Total assets include:							
Capital expenditure for property, plant and equipment	536	522	2	16,963	–	–	18,023
Total liabilities	(276,860)	(56,751)	(124,776)	(133,570)	(209,077)	–	(801,034)

29. Commitments

(a) Capital commitments

Capital expenditure contracted for as at end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Capital commitments in respect of contracts entered into for the construction-in-progress	–	43,142

(b) Guarantees

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 47,793,000 (2016: RMB 60,478,000) (Note 24);
- Bank overdraft of RMB 18,236,000 (2016: RMB 19,571,000) (Note 26); and
- Short-term bank loans of RMB 41,377,000 (2016: RMB 44,278,000) (Note 26).

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.

30. Financial risk management objectives and policies

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 above-mentioned 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.

30. Financial risk management objectives and policies (Continued)

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.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the statement of financial position; and

– corporate guarantees provided by the Company on Fuxing HK's bills payables (Note 24) and short-term bank loans (Note 26).

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 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:

	Group			
	2017		2016	
	RMB'000	% of total	RMB'000	% of total
By country:				
People's Republic of China	107,524	43	94,672	37
Hong Kong	142,492	57	161,460	63
	250,016	100	256,132	100

At the end of the reporting period, approximately 64% (2016: 62%) of the Group's trade receivables were due from 6 (2016: 6) major customers who are mainly trading companies located in the PRC and Hong Kong.

30. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (Trade and other receivables).

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% (2016: 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.

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30. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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.

	One year or less	
	2017	**2016**
	RMB'000	RMB'000
Group		
Financial assets:		
Trade and other receivables	284,101	271,303
Cash and short-term deposits	198,051	288,698
Total undiscounted financial assets	482,152	560,001
Financial liabilities:		
Trade and other payables	227,166	255,662
Other liabilities	173,706	158,024
Loans and borrowings	326,673	360,849
Total undiscounted financial liabilities	727,545	774,535
Total net undiscounted financial liabilities	(245,393)	(214,534)

	One year or less	
	2017	**2016**
	RMB'000	RMB'000
Company		
Financial assets:		
Amount due from subsidiaries (non-trade)	390,698	399,869
Other receivables	2	2
Cash and short-term deposits	359	266
Total undiscounted financial assets	391,059	400,137
Financial liabilities:		
Other liabilities	1,725	2,292
Amounts due to directors (non-trade)	9,250	7,980
Total undiscounted financial liabilities	10,975	10,272
Total net undiscounted financial assets	380,084	389,865

30. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table below shows the contractual expiry by maturity of the Group and of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Company	
	2017	**2016**
	RMB'000	RMB'000
Financial guarantees		
- One year or less	31,500	39,900

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 (2016: 100) basis points lower/higher and all other variables were held constant, the Group's profit/(loss) before income tax would have been RMB 2,424,000 (2016: RMB 1,730,000) 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 has cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are denominated in USD, HKD and SGD. Accordingly, the Group's statements of financial position can be affected by movements in the USD/RMB, SGD/RMB and HKD/RMB exchange rates.

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.

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 SGD or 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.

30. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

		Group	
		2017	**2016**
		Loss before income tax	**Loss before income tax**
		RMB'000	RMB'000
USD	– strengthened 5% (2016: 5%)	–	(6)
	– weakened 5% (2016: 5%)	–	6
SGD	– strengthened 5% (2016: 5%)	(9)	(9)
	– weakened 5% (2016: 5%)	9	9
HKD	– strengthened 5% (2016 5%)	(3,577)	(3,832)
	– weakened 5% (2016: 5%)	3,577	3,832

31. Fair value of assets and liabilities

The carrying amounts of cash and short-term deposit, trade and other receivables, trade and other payables, other liabilities and loans and borrowings approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

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.

31. 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.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group			
2017			
Non-financial assets:			
Investment property			
- Commercial	–	–	498,470
Non-financial assets as at 31 December	–	–	498,470
2016			
Non-financial assets:			
Investment property			
- Commercial	-	-	476,100
Non-financial assets as at 31 December	-	-	476,100

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	
	2017	**2016**
	RMB'000	RMB'000
At 1 January	476,100	376,620
Addition	44,988	136,513
Transfer to PPE	(36,530)	–
Total (losses)/gains for financial year included in profit or loss	13,912	(37,033)
At 31 December	498,470	476,100

The amount of total gains/(losses) for the financial year included in profit or loss under 'Other income' and 'Other expenses' that is attributable to the change in unrealised gains/(losses) relating to commercial investment property is RMB 13,912,000 (2016: loss of RMB 37,033,000).

Notes to **the Financial Statements**

For the financial year ended 31 December 2017

31. 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 FRS 113 *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.

32. 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 2017 and 2016.

As disclosed in Note 23(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 2017 and 2016.

32. 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	
	2017	**2016**
	RMB'000	RMB'000
Trade and other payables	227,166	255,662
Other liabilities	173,706	158,024
Loans and borrowings	326,673	360,849
Less: Cash and unpledged fixed deposits	(198,051)	(248,798)
Net debt	529,494	525,737
Equity attributable to owners of the Company	661,177	637,926
Less: Reserve fund	(65,870)	(64,857)
Total capital	595,307	573,069
Capital and net debt	1,124,801	1,098,806
Gearing ratio	0.47	0.48

Statistics of **Shareholdings**

As at 15 March 2018

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	103	7.61	4,438	0.03
100 - 1,000	794	58.68	379,533	2.21
1,001 - 10,000	388	28.68	1,137,020	6.61
10,001 - 1,000,000	66	4.88	3,448,737	20.04
1,000,001 AND ABOVE	2	0.15	12,235,710	71.11
TOTAL	**1,353**	**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	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	9,600,000	55.80
2	DBS NOMINEES (PRIVATE) LIMITED	2,635,710	15.32
3	HONG QINGLIANG	468,640	2.72
4	UOB KAY HIAN PRIVATE LIMITED	461,340	2.68
5	RAFFLES NOMINEES (PTE) LIMITED	269,140	1.56
6	KHOE HONG OAN	175,000	1.02
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	130,418	0.76
8	WONG PANG FEI	125,384	0.73
9	SHI NENGYI	99,680	0.58
10	OCBC SECURITIES PRIVATE LIMITED	91,680	0.53
11	PHILLIP SECURITIES PTE LTD	88,420	0.51
12	WU SHU MAN	72,600	0.42
13	XU PENG FENG	70,000	0.41
14	ONG SWEE LOONG	64,000	0.37
15	CAI MINGXIN	62,240	0.36
16	NGIN TEO MEE	56,700	0.33
17	KWEK LAY HAR	55,460	0.32
18	CHICKEN DELIGHT PRIVATE LIMITED	55,154	0.32
19	CHAI FOO NGEE	46,640	0.27
20	CITIBANK NOMINEES SINGAPORE PTE LTD	46,300	0.27
	TOTAL	**14,674,506**	**85.28**

Statistics of **Shareholdings**

As at 15 March 2018

SUBSTANTIAL SHAREHOLDERS (AS AT 15 MARCH 2018)

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Hong Qing Liang[1]	468,640	2.72	9,600,000[2]	55.80
Hong's Holdings Private Limited[2]	9,6000,000	55.80	–	–
CIM Investment Management Limited[3]	–	–	2,424,860	14.09
Santa Lucia Asset Management Pte Ltd[4]	–	–	2,424,860	14.09
Paul Dumond[5]	–	–	2,424,860	14.09
Rupert James Philip Morton[6]	–	–	2,424,860	14.09

Notes:

(1) Mr Hong Qing Liang holds 100% of the shareholdings in Hong's Holdings Private Limited. As such, he is deemed to have an interest in all the shares held by Hong's Holdings Private Limited.

(2) Shares are registered under Morgan Stanley Asia (Singapore) Securities Pte Ltd.

(3) 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 FMC Technologies Inc Defined Benefit Retirement Trust) and by Standard Chartered Bank (for the account of Van Biema Asia Value Master Fund LP) and its capacity as investment manager of CIM Investment Fund ICAV, CIM Discovery Fund Ltd, FMC Technologies Inc Defined Benefit Retirement Trust and Van Biema Asia Value Master Fund LP.

(4) Santa Lucia Asset Management Pte Ltd, as the delegated sub investment manager of CIM Investment Fund ICAV, CIM Discovery Fund Ltd, FMC Technologies Inc Defined Benefit Retirement Trust and Van Biema Asia Value Master Fund 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.

(5) Paul Dumond, CEO of CIM Investment Management Ltd, is deemed interested in the Company's Shares held by DBS Bank Ltd and Standard Chartered Bank by virtue of his managerial control of CIM Investment Management Ltd.

(6) 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, FMC Technologies Inc Defined Benefit Retirement Trust and Van Biema Asia Value Master Fund 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 25.01% 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**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **Fuxing China Group Limited** (the "Company") will be held at FTSE Room, 9th Floor, Capital Tower, 168 Robinson Road, Singapore 068912 on Friday, 27 April 2018 at 9.30 am 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 2017 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:

   Mr Hong Peng You **(Resolution 2)**
   Mr Hong Shui Ku **(Resolution 3)**
   Mr Lim Cheng Kee **(Resolution 4)**

   **Mr Lim will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee, a member of the Nominating Committee and Audit Committee and will be considered independent.*

3. To approve the payment of Directors' fees of S$107,000 for the year ending 31 December 2018, payable half-yearly in arrears. (2017: S$116,000). **(Resolution 5)**

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 6)**

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 items 6 to 7 as Ordinary Resolutions:

6. **SHARE ISSUE MANDATE**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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

(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 which are outstanding or subsisting at the time of the passing of this Resolution; 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 (i)] **(Resolution 7)**

7. **RENEWAL OF SHARE PURCHASE MANDATE**

That the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Addendum dated 11 April 2018 and this mandate shall, unless revoked or varied by the Company in a general meeting, 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, or the date on which the purchases or acquisitions of shares pursuant to the share purchase mandate are carried out to the full extent mandated, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 8)**

Notice of **Annual General Meeting**

8. To provide shareholders with an update on the Group's Xiamen headquarters project ("HQ Project") including construction and other related costs.

   [See Explanatory Note (iii)]

By Order of the Board

Victor Lai Kuan Loong
Company Secretary
Singapore, 11 April 2018

Explanatory Notes:

(i) The Ordinary Resolution 7 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 which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 proposed in item 7 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Addendum dated 11 April 2018 attached. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2017 are set out in greater detail in the Addendum dated 11 April 2018.

(iii) As provided in the Company's announcement on Update on Xiamen Headquarters Project ("**HQ Project"**) released to SGX-ST via SGXNet ("the **Announcement**") on 21 March 2018, the Company had provided the breakdown of the total construction and other costs of the HQ Project incurred as at 31 December 2017. The Company had also explained the variance of the total actual construction costs and the Estimated Construction Cost. As stated in the Announcement, the Board will address queries from shareholders, if any, in relation to the total construction and other costs of the HQ Project.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than 2 proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Member being a Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act of Singapore) wishes to attend and vote at the Meeting, then he/she/it should complete the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 at least forty-eight (48) hours before the time of the Meeting.

3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Corporate Information

Board of Directors

Hong Qing Liang	(Executive Chairman & Chief Executive Officer)
Hong Peng You	(Executive Director)
Hong Shui Ku	(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

Victor Lai Kuan Loong

Assistant Secretary

Conyers Corporate Services (Bermuda) Limited

Registered Office

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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 MYP Plaza
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
Hang Seng Bank

Legal Counsel

Chancery Law Corporation
55 Market Street #08-01
Singapore 048941

福兴集团
FUXING GROUP

Fuxing China Group Limited

SYMBOLIC BRAND OF CHINA