ANNUAL REPORT 2018

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.

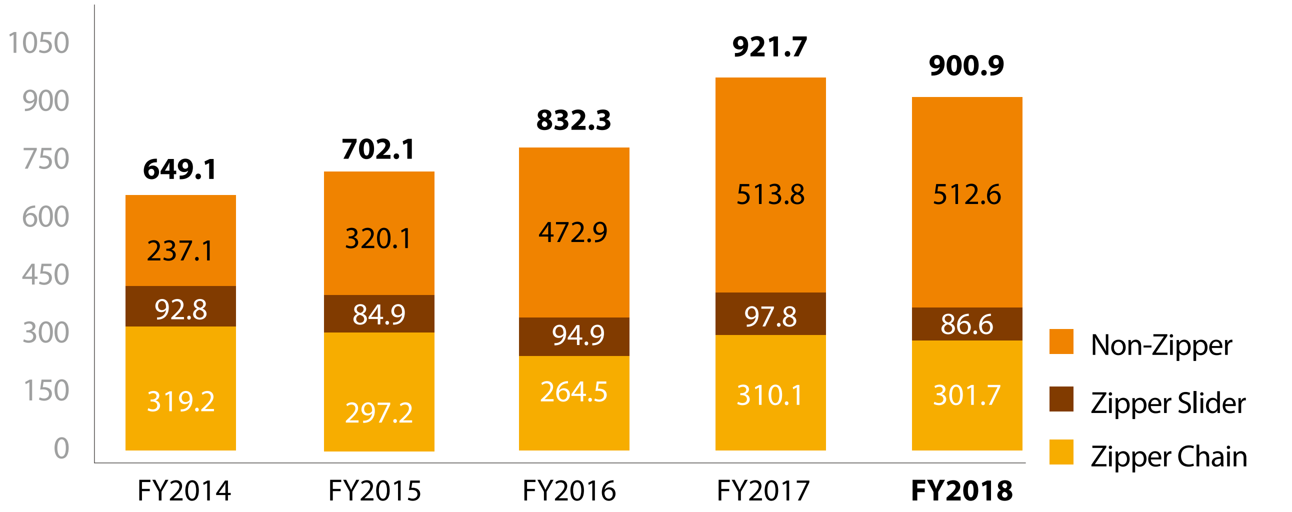
More notably, in 2008, Fuxing China was named one of the 200 companies in Forbes Asia's Fourth Annual Best Under a Billion List, which focuses on Asia Pacific companies with under $1 billion in sales.

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

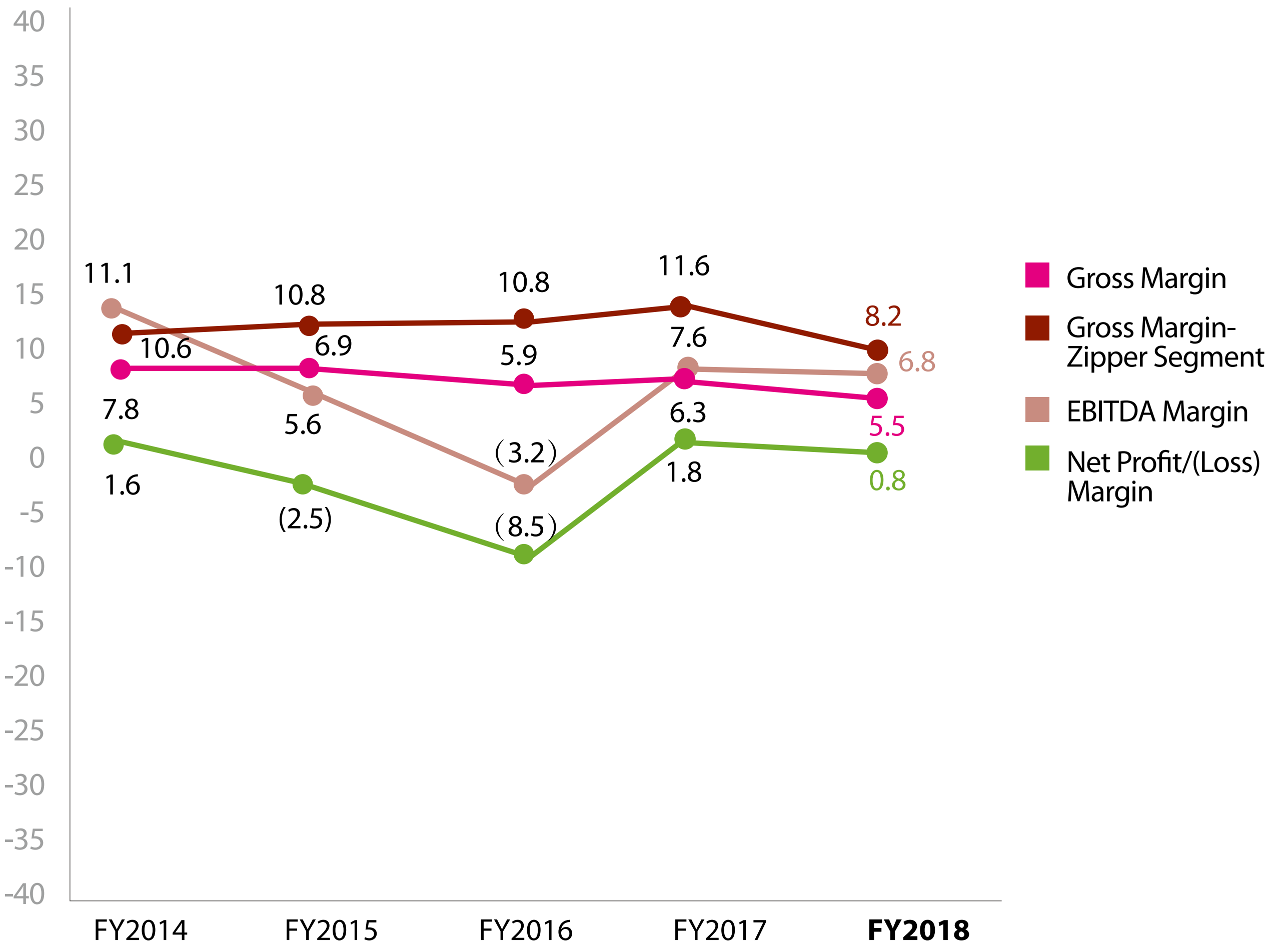
Revenue Breakdown

RMB' million



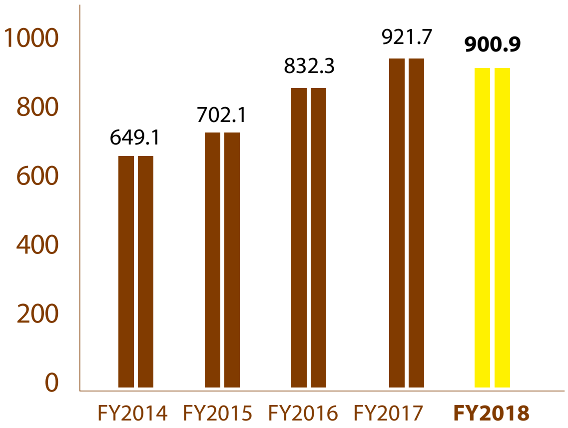
Margin Trends

%

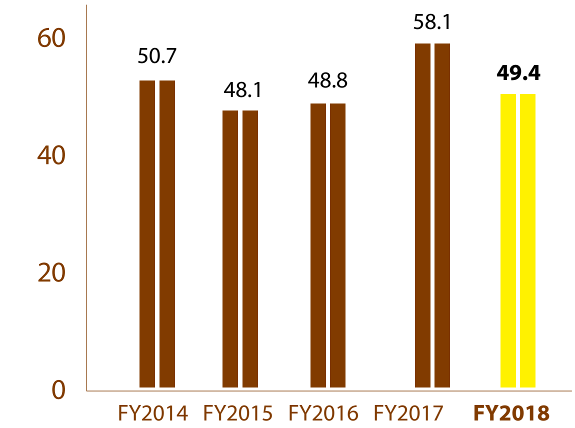


Performance Benchmarks at a Glance

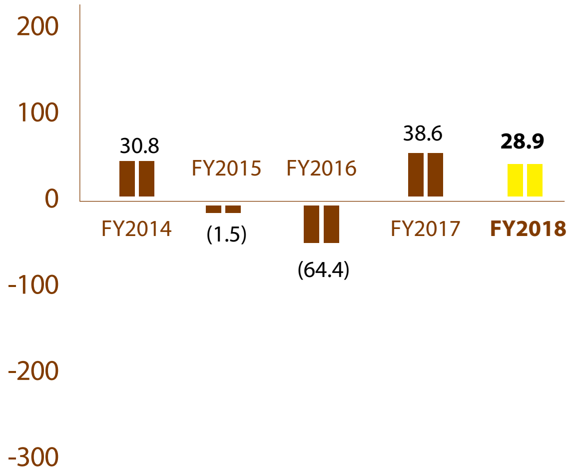
Revenue
RMB' million



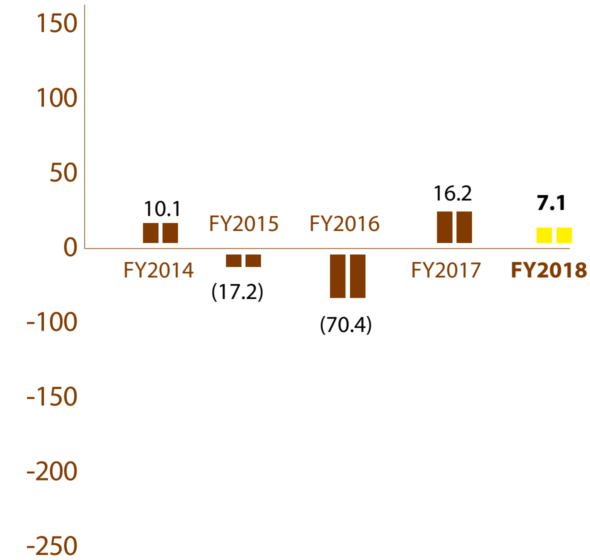
Gross Profit
RMB' million



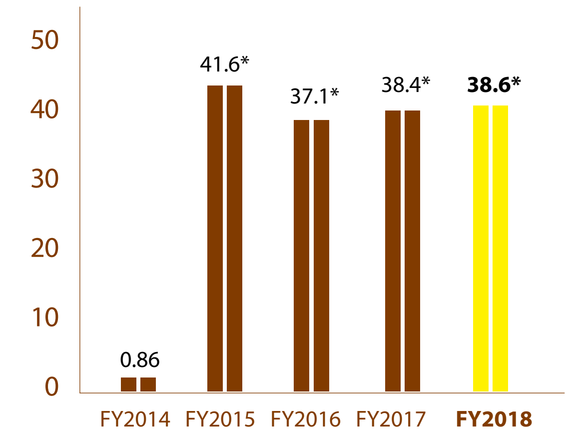
Profit/(Loss)from Operations
RMB' million



Net Profit/(Loss)
RMB' million

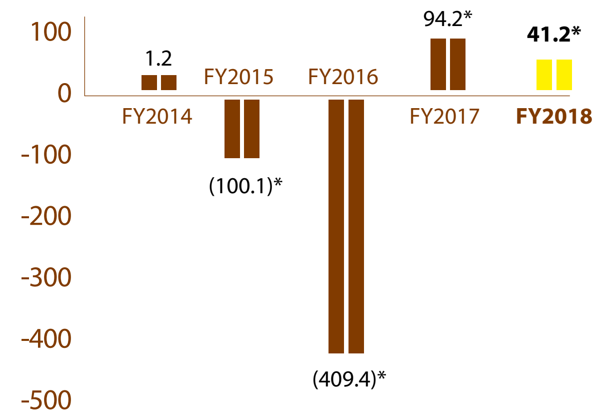


NAV Per Share
RMB



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	2018	2017	2016	2015	2014
As At 31 December (RMB'000)					
Property, plant and equipment	265,324	262,571	241,313	285,159	323,935
Other non-current assets	538,338	528,357	506,177	409,987	331,854
Current assets	487,274	631,270	691,470	772,871	772,405
Current liabilities	(595,560)	(732,621)	(778,592)	(691,496)	(629,322)
Net current assets/(liabilities)	(108,286)	(101,351)	(87,122)	81,375	143,083
Non-current liabilities	(31,555)	(28,400)	(22,442)	(61,031)	(59,758)
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	(102,478)	(104,989)	(128,240)	(50,676)	(27,049)
Total equity	663,688	661,177	637,926	715,490	739,117

GROUP PROFIT & LOSS					
Year Ended (RMB'000)					
Revenue	900,948	921,669	832,346	702,093	649,088
Gross profit	49,395	58,137	48,815	48,124	50,724
Other operating income	33,798	31,122	25,285	16,915	33,676
Earnings before interest, tax, depreciation & amortisation (EBITDA)	61,650	70,030	(26,998)	39,239	71,795
Depreciation and amortisation	(32,050)	(30,363)	(35,405)	(38,934)	(38,939)
Interest expense	(16,547)	(14,229)	(14,176)	(13,863)	(11,935)
Profit/(Loss) from operations	28,908	38,632	(64,446)	(1,460)	30,783
Profit/(Loss) before income tax	13,053	25,438	(76,579)	(13,558)	20,921
Income tax credit/(expense)	(5,969)	(9,224)	6,142	(3,667)	(10,782)
Profit/(Loss) for the year	7,084	16,214	(70,437)	(17,225)	10,139

ANALYSIS (%)					
Year					
Gross profit margin-zipper segment	8.2%	11.6%	10.8%	10.8%	10.6%
Gross profit margin	5.5%	6.3%	5.9%	6.9%	7.8%
PBT margin	1.4%	2.8%	(9.2%)	(1.9%)	3.2%
Revenue growth	(2.2%)	10.7%	18.6%	8.2%	5.2%
Operating profit growth	(25.2%)	NM	NM	NM	NM
Net profit growth	(56.3%)	NM	NM	NM	NM

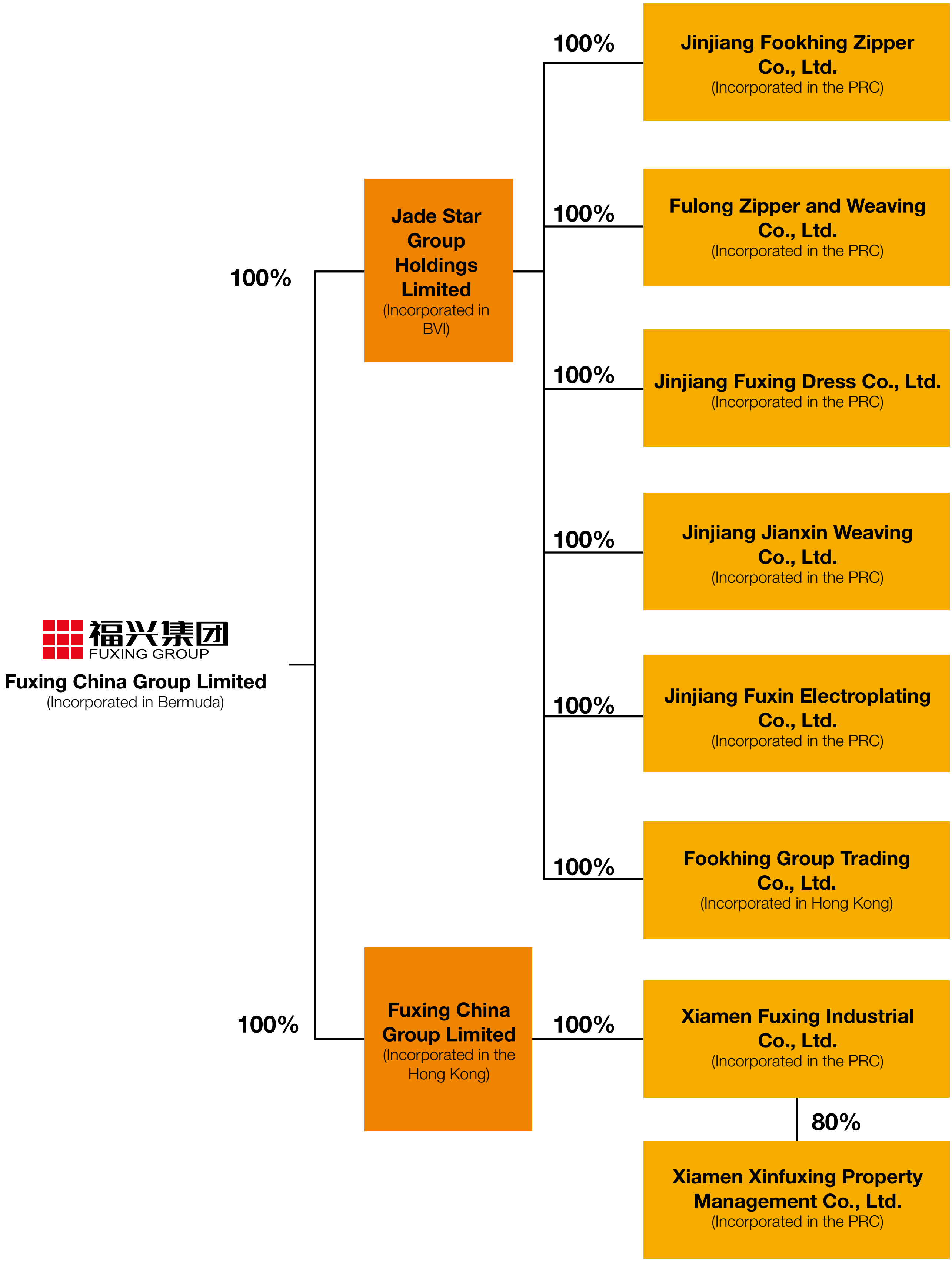
Note:
NM: Not meaningful.

PER SHARE DATA					
(RMB cents, unless otherwise stated)					
Earnings/(Loss) (basic and fully diluted)	41.2 (2)	94.2 (2)	(409.4) (2)	(100.1) (2)	1.2
Net asset value	3,858.2 (2)	3,842.8 (2)	3,707.8 (2)	4,158.5 (2)	85.9
Number of shares used in the above computation ('000)(1)(2)	17,205 (2)	17,205 (2)	17,205 (2)	17,205 (2)	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					
Current ratio (times)	0.8	0.9	0.9	1.1	1.2
Acid-test ratio	0.7	0.8	0.8	1.0	1.1
Average receivable turnover (days)	100	100	114	135	130
Average payables turnover (days)	3	3	4	4	4
Average inventory turnover (times)	27	24	27	35	40
Return on equity (%)	1.1%	2.5%	(11.0%)	(2.4%)	1.4%
Return on assets employed (%)	0.5%	1.1%	(4.9%)	(1.2%)	0.7%
Debt/Equity ratio	33.4%	49.4%	56.6%	43.6%	34.4%
Interest cover (times)	1.79	2.79	(4.40)	0.02	2.8

Group Structure



Chairman's Message

Dear Valued 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 2018 ("FY2018"). The Group recorded a profit after tax of RMB 7.1 million, which represented a decline of 56% compared to last year profit of RMB 16.2 million.

Review of Financial Performance

The Group's revenue decreased by RMB 20.7 million (or 2%) to RMB 900.9 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB 19.6 million), and the Trading segment (RMB 17.8 million). The decrease in revenue for the Zipper segment was attributable to a deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy. This had resulted in the decrease in sales order from customers. The decrease was however partially offset by the increase in revenue contributions from the Processing segment (RMB 18.4 million). The increase was mainly due to the increase in sales volume arising from a stable quality of its zippers achieved following the partial automation of the Group's production processes.

The Group's gross profit decreased by RMB 8.7 million (or 15%) to RMB 49.4 million. The decrease was due mainly to the decrease in revenue from the Zipper segment. Average gross profit margin decreased by 0.8 percentage point to 5.5% due to the decrease in gross profit margin from the Zipper segment in FY2018. This was due to higher production costs, e.g., wages and cost of raw materials.

Selling and distribution expenses increased by RMB 1.1 million (or 19%) to RMB 7.0 million as a result of increase in promotional expenses from roadshows conducted to promote the Group's finished zippers and expand the Group's customer base.

General and administrative expenses increased by RMB 13.3 million (or 39%) to RMB 46.8 million. This was mainly due to allowance of doubtful trade receivables of RMB 0.5 million, allowance for doubtful other receivables of RMB 1.0 million and allowance for advances to suppliers of RMB 6.0 million in FY2018 while all of the above expenses were written back in FY2017. The increase in allowance for advances to suppliers was mainly due to the change in accounting policy in FY2018 whereby allowances were made for advances to suppliers that were outstanding for more than 6 months whereas allowances were made for advances that were outstanding for more than 1 year in FY2017. In addition, in line with the higher rental and management fee income, property and property management expenses incurred on the Xiamen HQ increased from RMB 0.5 million in FY2017 to RMB 6.7 million in FY2018.

Other expenses decreased by RMB 10.5 million to RMB 0.5 million. This was mainly due to exchange loss of RMB 9.5 million in FY2017 while this was absent in FY2018.

Other income increased by RMB 2.7 million to RMB 33.8 million, mainly due to the higher rental and management fee income in FY2019. Other income in FY2018 consisted mainly of RMB 12.0 million fair value gain arising from valuation of the Group's Xiamen HQ and the rental (RMB12.9 million) and management fee income (RMB3.3 million) arising from the leasing of the office units and management of the Xiamen HQ property respectively.

As a result of the above mentioned factors, the Group recorded a profit after tax of RMB 7.1 million.

Review of Financial Position

As at 31 December 2018, non-current assets amounted to RMB 803.7 million comprising property, plant and equipment, investment property, land use rights, and prepayment.

Chairman's Message

The Group's property, plant and equipment amounted to RMB 265.3 million, an increase of RMB 2.7 million compared to RMB 262.6 million as at 31 December 2017. The increase was due mainly to the purchase of plant and machinery during FY2018 but partially offset by the depreciation expenses.

As at 31 December 2018, the investment property amounted to RMB 510.5 million, an increase of RMB 12.0 million compared to RMB 498.5 million as at 31 December 2017. The increase in investment property was due to valuation gain of RMB 12.0 million arising from an independent valuation of the investment property by valuer.

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

As at 31 December 2018, current assets amounted to RMB 487.3 million, a decrease of 23% (RMB 144.0 million) compared to RMB 631.3 million as at 31 December 2017. This was due largely to the decrease in cash and bank balances.

Trade and other receivables decreased by RMB 15.4 million from RMB 284.1 million to RMB 268.7 million due to decrease in trade receivables in tandem with the decrease in revenue of the Zipper segment in 4Q2018.

The decrease in prepayments to suppliers by RMB8.0 million to RMB 84.6 million was due mainly to the utilization and conversion of the prepayments into raw materials purchase and also the increase in allowance made for advances to suppliers.

Cash and short term deposits decreased from RMB 198.1 million to RMB 63.8 million due mainly to the purchase of plant and machineries, the repayment of short-term bank loan and bank overdrafts in FY2018.

As at 31 December 2018, total current liabilities were RMB 595.6 million, a decrease of 19% (or RMB 137.0 million) compared to RMB 732.6 million as at 31 December 2017. This was mainly attributable to the decrease in trade payables, bills payables, short-term bank loans, bank overdrafts, other payables and accruals which was partially offset by the increase in amount due to a director.

Trade and bills payables decreased by RMB 2.5 million and RMB 29.8 million respectively mainly due to decrease in purchases of raw materials in 4Q2018. Other liabilities decreased by RMB 44.0 million to RMB 221.4 million mainly due to the settlement of the accrued construction costs of investment property.

Loans and borrowings decreased by RMB 105.3 million (or 32%) to RMB 221.4 million due to repayment of short-term bank loans in FY2018.

Review of Cash Flows

Operating activities

Net cash flows generated from operating activities in FY2018 amounted to RMB 6.3 million while net cash used in FY2017 amounted to RMB 15.5 million. This was due mainly to the decrease in bills receivables in FY2018 arising from the decrease in revenue of the Zipper segment compared to increase in FY2017.

Investing activities

Net cash flows used in investing activities in FY2018 amounted to RMB 33.1 million compared to RMB 43.9 million in FY2017 due mainly to the construction costs of investment property in FY2017.

Xiamen HQ

Chairman's Message

Financing activities

Net cash flows used in financing activities in FY2018 amounted to RMB 97.7 million compared to RMB 21.5 million in FY2017. This was due mainly to higher repayment of short-term bank loans in FY2018 compared to FY2017.

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. To meet these challenges, the Group will continue to monitor its costs and receivables collections closely and step up its sales and marketing efforts to expand its customer base in PRC and overseas markets.

As at 31 December 2018, the Group had leased out all the office space of its Xiamen HQ except 24/F and 25/F which are meant for use as the Group's corporate office. The Group's property and management services division will strive to provide quality maintenance services to the tenants. The rental income from the leases entered will bolster the Group's income streams in the years ahead.

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.

I would like to express my gratitude to Mr Hong Shui Ku during his tenure as Executive Director of the Company. Due to time and work commitments, Mr Hong has voluntarily relinquished his directorship with the Company on 18 March 2019 and he will focus on his existing management role as Chief of Operations of 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 2019

Sustainability Report

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

Our Sustainability Report will be prepared in accordance with the Global Reporting Initiative Standards: Core Option, to understand and communicate our critical sustainability issues on environmental, economic and social performance ability issues to stakeholders. Environment, Social and Governance ("ESG") Materiality Assessment was performed and below are the material ESG factors for FY2018 to be disclosed in our report as follows:

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

More details and information will be available in the full Sustainability Report that will be published by end May 2019.


Xiamen HQ

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 and Chairman of the Zipper Hardware Industry Association of Long Hu Town, Jinjiang City.

Present directorship in other listed companies

- Nil

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

- Nil

Mr Hong Peng You

Director of Administration

Mr Hong Peng You is the Group's Director of Administration, and was appointed to the Board on 19 December 2006, and last re-elected on 27 April 2018. He is responsible for all administration matters in the Group. Mr Hong started his career in 1990 in the finance department of Fujian Fu Lian Zhi Zao Co., Ltd till 1993. From January 1994 to December 2003, he took on the position of the Section Chief in the Group's finance department. He later assumed the position of Financial Manager in the Group in 2004 and was subsequently appointed as Deputy General Manager in 2005 and took charge of all finance and administration matters. Mr Hong graduated from Quanzhou Liming University with an education certificate in accounting in July 1990.He also obtained an education certificate in accounting from Wuhan Technological University in July 2005, as well as a degree certificate in business administration in January 2008. He was awarded China Famous Accountant by World Specialty International Center in 2001 and Senior Finance Manager by China Enterprises Association in 2005. He is a registered accountant with Jinjiang City Finance Bureau and a senior tax planner.

Present directorship in other listed companies

- Nil

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

- Nil

Dr Ho Kah Leong

Lead Independent Director

Dr Ho Kah Leong is the Group's Lead Independent Director and was appointed to the Board on 3 August 2007, and last re-elected on 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 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 Limited
- Director of Pioneer & Leaders (M) Sdn Bhd

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

- Vicom Ltd

Board of Directors

Mr Lim Cheng Kee
Independent Director

Mr Lim Cheng Kee is the Group's Independent Director and was appointed to the Board on 23 May 2014 and last re-elected on 27 April 2018. 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 Shui Ku
Chief of Operations

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

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

Mr Hong Shao Lin
General Manager

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

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

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

The Board of Directors (the "Board") of Fuxing China Group (the "Company") 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.

With the issuance of the revised Code of Corporate Governance ("2018 Code") by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where appropriate, to adhere to its spirit and intent.

(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").

Corporate Governance **Report**

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.

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

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 in discharging their duties and responsibilities at all time as fiduciaries and in the interests of the Company.

The number of Board meetings held during the year ended 31 December 2018 ("FY2018") and the attendance of each Board member at those meetings and the meetings of the various committees are disclosed as follows:

Meeting of	Board	AC	NC	RC
Total held in FY2018	**4**	**4**	**1**	**2**
Hong Qing Liang	1	1#	1	1#
Hong Peng You	4	4#	1#	2#
Hong Shui Ku(1)	2	N.A.	N.A.	N.A.
Lim Cheng Kee	4	4	1	2
Dr Hong Kah Leong	4	4	1	2
Qiu Qing Yuan	4	4	1	2

Note:

(1) Due to time and work commitments, Mr. Hong Shui Ku had voluntarily relinquished his position as Executive Director of the Company on 18 March 2019 and he will focus on his existing management role as Chief of Operations of the Group.

By invitation.

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 five directors.

Executive Directors:
Hong Qing Liang - Chairman and Chief Executive Officer
Hong Peng You

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

A majority of the Board is made up of Independent Directors which 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 five 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.

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.

Corporate Governance **Report**

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

Information regarding the Directors nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Manual of the SGX-ST is given under pages 28 and 29 of the Annual Report.

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.

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's and Board Committees' evaluation cover 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 FY2018, 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 area that could be improved further.

No evaluation of individual director is conducted for FY2018 as the NC believes that each member of the Board contributes in different ways to the effectiveness of the Board. To formalise the evaluation of effectiveness of each individual director, the NC has recommended the adoption of a formal annual evaluation form for the individual Director to complete for the financial year ending 31 December 2019.

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.

Management 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 and Board Committees meetings. Senior Management who can provide input and insight into matters being discussed, would be invited to the Board and Board Committees meetings 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 ATTERS

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 three members, all of whom are Independent Directors.

The members of the RC are:

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 FY2018.

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.

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.

The RC had recommended to the Board an aggregate amount of S$102,400 as Directors' fees for the year ending 31 December 2019, 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 FY2018 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	211
Executive Directors						
Hong Peng You	84	–	16	–	100	28
Hong Shui Ku[(1)]	84	–	16	–	100	28
Independent Directors						
Dr Ho Kah Leong	–	–	100	–	100	38
Lim Cheng Kee	–	–	100	–	100	35
Qiu Qing Yuan	–	–	100	–	100	21

(1) Due to time and work commitments, Mr. Hong Shui Ku had voluntarily relinquished his position as Executive Director of the Company on 18 March 2019 and he will focus on his existing management role as Chief of Operations of the Group.

Details of remuneration paid to top 5 key management personnel of the Group (who are not Directors or the CEO) for FY2018 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 FY2018 was S$202,100.

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.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of key management personnel in the Annual Report.

(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 announcements 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, the Chief of Operations of the Group, to oversee the risks management of the Group.

For FY2018, the Group's Internal Auditors ("IA") were also engaged to review the Group's business and operational activities and identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. On an annual basis, the IA report and the risk management report are presented to the AC on significant matters arising from the said review and counter measures to mitigate the identified risks 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 with written terms of reference which clearly set out its authority and duties.

The 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.

Corporate Governance **Report**

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.

Any change and issue to accounting standards that may have a direct impact on the financial statements would be raised by the external auditor and kept the AC abreast of such changes.

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 functions properly.

In addition to the above functions, the AC has:

(i) met with the external auditors and internal auditors 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$296,000. For FY2018, the Business and Risk Consulting division of Mazars LLP was engaged to assist in the drafting of the Sustainability Report for S$16,000. 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 FY2018 financial statements, the AC has discussed with Management and the external auditors on significant issues and assumptions that impact the financial statements. The significant financial reporting matters have also been identified and included in the Independent Auditors' Report to the 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 FY2018.

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 AC approves the hiring, removal, evaluation and compensation of the accounting/ auditing firm to which the internal audit function is outsourced. 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 functions 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 normally coincide with the release of the Group's financial results. During these briefings, Management will review the Group's performance as well as discuss the business outlook for the Group. For FY2018, there were three shareholders' briefing organised.

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. The Company adheres to the requirements of the Listing Manual of the SGX-ST, all resolutions at the Company's general meetings are put to vote by poll. For cost effectiveness, the voting for resolutions at the general meetings is conducted by manual polling. The detailed results showing the number of votes cast for and against each resolution are announced via SGXNet after the general meetings. The minutes of the general meetings are available to shareholders upon their written request.

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 FY2018, 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 FY2018.

(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 Listing 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 FY2018.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to Directors who are seeking re-appointment at the forthcoming Annual General Meeting of the Company, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	**Mr Hong Qing Liang ("Mr Hong")**	**Dr Ho Kah Leong ("Dr Ho")**	**Mr Qiu Qing Yuan ("Mr Qiu")**
Date of Appointment	19 December 2006	3 August 2007	3 August 2007
Date of last re-Appointment (if applicable)	28 April 2016	28 April 2016	28 April 2016
Age	57	81	52
Country of principal residence	China	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Hong as Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Hong's credentials, experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Dr Ho as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Dr Ho's credentials, experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Qiu as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Qiu's credentials, experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Hong is the Group's Co-Founder and Chief Executive Officer ("CEO"), responsible for managing the business, operations and strategic directions of the Group as well as formulating and executing our Group's business strategies and policies.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and CEO and a member of Nominating Committee	Lead Independent Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee.	Independent Director, Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee.
Professional qualifications	• Vice President of China zipper association • Chairman of the Zipper Hardware Industry Association of Long Hu Town, Jinjiang City.	• PhD in Arts • Bachelor of Science	• Education certificate for foreign trade

Name of Director	Mr Hong Qing Liang (“Mr Hong”)	Dr Ho Kah Leong (“Dr Ho”)	Mr Qiu Qing Yuan (“Mr Qiu”)
Working experience and occupation(s) during the past 10 years	Executive Chairman and CEO of Fuxing China Group Limited since 19 December 2006.	1. Independent Director of Fuxing China Group Limited since 3 August 2007. 2. Independent Director Kop Limited since 17 February 2012. 3. Independent Director of Vicom Ltd from 1 May 2003 to 29 April 2017. 4. Independent Director of Superbowl Holdings Ltd and Brothers Holdings Ltd in 2011 and 2012.	1. Independent Director of Fuxing China Group Limited since 3 August 2007. 2. Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd since 2006. 3. Deputy General Manager for Shandong Weifang Yaxing Chemical Co., Ltd, a Shanghai Stock Exchange-listed company from 2006 to January 2009
Shareholding interest in the listed issuer and its subsidiaries	10,068,640 shares held in Fuxing China Group Limited.	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * “Principal Commitments” has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			
Past (for the last 5 years)	Nil	Past Directorship: Vicom Ltd	Nil
Present	Nil	Present Directorships: • Kop Limited • Pioneer & Leaders (M) Sdn Bhd	Present principal commitments: • Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd

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

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?

(c) Whether there is any unsatisfied judgment against him?

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

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

Disclosure applicable to the appointment of Director only.
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). **Not applicable for each of Mr Hong, Dr Ho and Mr Qiu as this is a re-election/re-appointment of Director.**

Financial **Statements**

Page	Contents

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 2018 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2018.

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 2018 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
Ho Kah Leong	Lead Independent and Non-Executive Director
Qiu Qing Yuan	Independent and Non-Executive Director
Lim Cheng Kee	Independent and Non-Executive Director

3. Arrangements to enable directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

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

Name of director and respective companies in which interests are held	Direct interest		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
Fuxing China Group Limited (No. of ordinary shares)				
Hong Qing Liang	468,640	468,640	9,600,000	9,600,000
Hong Peng You	–	–	200,000	372,000
Hong Shui Ku[(1)]	–	–	208,400	208,400

(1) Due to time and work commitments, Mr. Hong Shui Ku had voluntarily relinquished his position as Executive Director of the Company on 18 March 2019 and he will focus on his existing management role as Chief of Operations of the Group.

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 2018. Mr Hong Qing Liang holds 100% of the share capital of Hong's Holdings Private Limited. As such, Mr Hong Qing Liang is deemed to have an interest in all the shares held by Hong's Holdings Private Limited in the Company and its subsidiaries.

The directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

5. Share options

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

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

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

6. Audit Committee

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

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

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

The Audit Committee carried out its below functions:

(i) reviewed the audit plan and results of the external audit, 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 quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
(iv) reviewed the 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 risks management processes;
(vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
(vii) reviewed interested person transactions in accordance with SGX listing rules;
(viii) reviewed the nomination of external auditors and level of their fees; and
(ix) submitted report of actions of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

6. Audit Committee (Continued)

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

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

7. Auditors

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

On behalf of the board of directors

Hong Qing Liang
Director

Hong Peng You
Director

Singapore

29 March 2019

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 2018, 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 41 to 104.

In our opinion, the accompanying financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis of Opinion

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

Overview

Audit Approach

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

Materiality

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

Scope of audit

For the audit of the current financial year's financial statements, we identified 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.

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.	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 SFRS(I) 15. 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.
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 in year 2017. The management's intention is to rent the office building to earn rental income. Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at fair value, determined annually by independent professional valuer on the highest and best-use basis. Gain or loss arising from change in the fair value of investment property is included in the profit or loss in the year in which they arise. We focus on this area because significant judgement is 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.

Independent Auditors' **Report**

To the Members of Fuxing China Group Limited

Key Audit Matters (Continued)

Allowance for receivables
(refer to Note 19 to the financial statements)

Key audit matter	**Our audit response**
With reference to SFRS(I) 9 Financial Instruments, the Group adopts a simplified approach for the recognition of the loss allowance for trade and bill receivables, which are carried at amortised cost, at an amount equal to lifetime expected credit losses ("ECL") and has also used the practical expedient permitted in SFRS(I) 9 in the form of a provision matrix. For other receivables which are carried at amortised cost, the Group recognises the loss allowance at an amount equal to 12-month expected credit losses. In the event that the credit risk is assessed to have increased significantly since initial recognition, the Group recognises the loss allowance of such other receivables at an amount equal to lifetime ECL. The assessment of the credit risk and the measurement of ECL requires the use of significant judgement and estimates. Any impairment losses or gains resulting from the recognition or reversal of ECL are recognised in profit or loss as an adjustment to the loss allowance at the reporting date.	Our audit procedures included, and were not limited to the followings: We have reviewed: • the management's assessment of the recoverability of long outstanding and overdue trade receivables; • the reasonableness of management's assumptions and inputs used in the allowance matrix on the ECL by comparing to historical credit loss rates, and reviewed data and information that management has used, including consideration of forward-looking information based on specific economic data; • the arithmetic accuracy of management's computation of ECL; • the debtor ageing analysis and checked to subsequent receipts from major debtors; and • documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable.

Going concern
(refer to Note 2.1 to the financial statements)

Key audit matter	**Our audit response**
During the financial year ended 31 December 2018, the Group reported net current liabilities position of RMB108 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. The Group's current liabilities as at 31 December 2018 included a bank loan amounting to RMB82.5 million (2017: RMB113.8 million) which was granted to the Group in 2013 and it is secured by an investment property (Note 14) as of 31 December 2018. 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. Other than the bank loan, the Group also took on short-term loans and bill payables amounting to RMB222.9 million (2017: RMB326.6 million) as of 31 December 2018 of which the Group has continued to pay when due. 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: Assessment on the basis used in the going concern assumption that there is no material uncertainty. 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.

Other information

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

The 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.

Independent Auditors' **Report**

To the Members of Fuxing China Group Limited

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore

29 March 2019

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

For the financial year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	900,948	921,669
Cost of sales		(851,553)	(863,532)
Gross profit		49,395	58,137
Other items of income			
Other income	5	33,798	31,122
Interest income	6	692	1,035
Other items of expenses			
Marketing and distribution expenses		(7,047)	(5,917)
Administrative expenses		(46,785)	(33,748)
Other expenses	7	(453)	(10,962)
Financial costs	6	(16,547)	(14,229)
Profit before income tax	8	13,053	25,438
Income tax expense	11	(5,969)	(9,224)
Profit for the year		7,084	16,214
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(4,480)	7,037
Total comprehensive income for the year attributable to owners of the Company		2,604	23,251
Profit attributable to:			
Owners of the Company		6,991	16,214
Non-controlling interests		93	–
		7,084	16,214
Total comprehensive income attributable to:			
Owners of the Company		2,511	23,251
Non-controlling interests		93	–
		2,604	23,251
Earnings per share attributable to owners of the Company (RMB per share)			
Basic and diluted	12	0.41	0.94

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

Statements of **Financial Position**

As at 31 December 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	13	265,324	262,571	–	–
Investment property	14	510,500	498,470	–	–
Land use rights	15	27,838	28,743	–	–
Intangible assets	16	–	–	–	–
Prepayments	20	–	1,144	–	–
Investment in subsidiaries	17	–	–	344,853	344,853
		803,662	790,928	344,853	344,853
Current assets					
Inventories	18	70,190	56,495	–	–
Trade and other receivables	19	268,694	284,101	380,960	390,700
Prepayments	20	84,642	92,623	–	–
Cash and short-term deposits	21	63,748	198,051	240	359
		487,274	631,270	381,200	391,059
Total assets		**1,290,936**	**1,422,198**	**726,053**	**735,912**
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	66,015	65,870	–	–
Capital reserve	23	39,573	39,573	39,573	39,573
Restructuring reserve	23	(117,878)	(117,878)	–	–
Foreign currency translation reserve	23	(8,648)	(4,168)	–	–
Accumulated losses		(81,540)	(88,386)	(82,236)	(80,802)
Total equity attributable to owners of the Company		663,688	661,177	723,503	724,937
Non-controlling interests		133	–	–	–
Total equity		663,821	661,177	723,503	724,937
Current liabilities					
Trade and other payables	24	240,669	227,166	680	9,250
Other liabilities	25	129,680	173,706	1,870	1,725
Loans and borrowings	26	221,400	326,673	–	–
Income tax payable		3,811	5,076	–	–
		595,560	732,621	2,550	10,975
Non-current liability					
Deferred tax liabilities	27	31,555	28,400	–	–
Total liabilities		627,115	761,021	2,550	10,975
Total equity and liabilities		**1,290,936**	**1,422,198**	**726,053**	**735,912**

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 2018

2018	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Capital reserve RMB'000	Restructuring reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Group										
Balance at 1 January 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,168)	(88,386)	661,177	–	661,177
Profit for the year	–	–	–	–	–	–	6,991	6,991	93	7,084
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	–	–	(4,480)	–	(4,480)	–	(4,480)
Total comprehensive income for the year	–	–	–	–	–	(4,480)	6,991	2,511	93	2,604
Contribution by and distributions to owners										
Appropriation to reserve fund	–	–	145	–	–	–	(145)	–	–	–
Increase of non-controlling interests without a change of control	–	–	–	–	–	–	–	–	40	40
Balance at 31 December 2018	772,574	(6,408)	66,015	39,573	(117,878)	(8,648)	(81,540)	663,688	133	663,821

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 2018

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
	Attributable to owners of the Company							
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 2018

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Company					
Balance at 1 January 2017	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
Loss for the year, representing total comprehensive loss for the year	–	–	–	(1,434)	(1,434)
Balance at 31 December 2018	772,574	(6,408)	39,573	(82,236)	723,503

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 2018

	Note	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		13,053	25,438
Adjustments for:			
Depreciation of property, plant and equipment	13	31,145	29,458
Amortisation of land use rights	15	905	905
Write off of property, plant and equipment	13	391	–
Gain from fair valuation on investment property	14	(12,030)	(13,912)
Net allowance for/(write back of) doubtful trade receivables	19	485	(275)
Net allowance for/(write back of) doubtful other receivables	19	950	(15,989)
Allowance for advance to suppliers	20	6,032	–
Net (write back of)/provision for social security contribution	8	(1,188)	1,904
Interest expense	6	16,547	14,229
Interest income	6	(692)	(1,035)
Foreign currency (gain)/loss		(2,297)	4,136
Total adjustments		40,248	19,421
Operating cash flows before changes in working capital		53,301	44,859
Changes in working capital:			
Inventories		(13,695)	1,237
Trade and other receivables		13,972	(12,523)
Prepayments		1,948	(18,886)
Trade and other payables		13,504	(28,496)
Other liabilities		(42,838)	13,778
Total changes in working capital		(27,109)	(44,890)
Cash flows generated from/(used in) operations		26,192	(31)
Interest paid		(16,547)	(14,229)
Interest received		692	1,035
Income taxes paid		(4,079)	(2,247)
Net cash flows generated from/(used in) operating activities		**6,258**	**(15,472)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(33,145)	(14,901)
Construction of investment property	14	–	(44,988)
Proceeds from doubtful debts recovered	19	–	15,989
Net cash flows used in investing activities		**(33,145)**	**(43,900)**
FINANCING ACTIVITIES			
Capital contribution by non-controlling interests		40	–
Proceeds from loans and borrowings		138,900	157,060
Repayments of loans and borrowings		(228,120)	(187,000)
(Increase)/Decrease in fixed deposits pledged to banks		(8,500)	8,400
Net cash used in financing activities		**(97,680)**	**(21,540)**
Net decrease in cash and cash equivalents		(124,567)	(80,912)
Cash and cash equivalents at beginning of financial year		148,315	229,227
Cash and cash equivalents at end of financial year	21	**23,748**	**148,315**

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 2018

Reconciliation of assets/liabilities arising from financing activities

	1 January 2018 RMB'000	Financing cash inflows / (outflows) RMB'000	Non-cash movements: Foreign exchange movement RMB'000	31 December 2018 RMB'000
Liabilities				
Loans and borrowings (excluding bank overdraft)	308,437	(89,220)	2,183	221,400
Assets				
Pledged deposits	(31,500)	(8,500)	–	(40,000)

	1 January 2017 RMB'000	Financing cash inflows / (outflows) RMB'000	Non-cash movements: Foreign exchange movement RMB'000	31 December 2017 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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

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 2018 were authorised for issue by the Board of Directors on 29 March 2019.

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 (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INT") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

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

<u>Going concern</u>

During the financial year ended 31 December 2018, the Group reported net current liabilities position of RMB108 million (2017: RMB 101 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.

The Group's current liabilities as at 31 December 2018 included a bank loan amounting to RMB82.5 million (2017: RMB113.8 million) which was granted to the Group in 2013 and it is secured by an investment property as of 31 December 2018. 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.

Other than the bank loan, the Group also took on short-term loans and bill payables amounting to RMB222.9 million (2017: RMB326.6 million) as of 31 December 2018. These short-term loans and bill payables are revolving loans that are renewable on an annual basis.

Excluding the effects of these loans and bill payables from current liabilities, the Group would report net current asset position of RMB197.4 million (2017: RMB339.4 million).

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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 SFRS (I) as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with SFRS(I) in its first and subsequent SFRS(I) financial statements.

In its initial adoption of this first set of SFRS(I) financial statements, the Group has applied SFRS(I) 1 *First-Time Adoption of Singapore Financial Reporting Standards (International)* ("SFRS(I) 1") which is equivalent to SFRS(I) 1 *First-Time Adoption of International Financial Reporting Standards*.

There is no material effect on the amounts reported for the current or prior financial years by applying SFRS(I) 1.

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

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

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
SFRS(I) 9	Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Various	Annual Improvements to SFRS(I)s 2015-2017 Cycle - Amendments to SFRS(I) 3 *Business Combinations: Additional guidance for applying the acquisition method to particular types of business combinations* - Amendments to SFRS(I) 11 *Joint Arrangements: Accounting for acquisition of interests in joint operations* - Amendments to SFRS(I) 1-12 *Income taxes: Measurement, Recognition of current and deferred tax and borrowing costs*	1 January 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

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

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Other than the following standards, 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 Company in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Lease*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* It sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for lessees.

The Group plans to apply SFRS(I) 16 on 1 January 2019 and will apply the modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 January 2019. Accordingly, the comparative financial statements will not be restated.

Lessee

SFRS(I) 16 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of “low-value” assets and qualifying short-term leases entered into by lessees can be exempted from the new recognition criteria.

The Group plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Group also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019. In the determination of the lease term as a lessee, the Group plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

Preliminarily, based on the currently known and reasonably estimable information relevant to its assessment, as at 1 January 2019, The Group does not expect any significant impact on its financial statements as a lessee in the initial adoption of SFRS(I) 16.

Lessor

The Group does not expect any significant impact on its financial statements as a lessor in the initial adoption of SFRS(I) 16.

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 SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") or, when applicable, the cost on initial recognition of an investment in an associate or joint controlled entity.

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

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 are measured in accordance with that Standard.

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

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 SFRS(I) 3

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

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

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

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

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.3 Business Combinations (Continued)

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

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

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

2.4 Revenue recognition

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

Sale of goods

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

Processing

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

2.5 Borrowing costs

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

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

2. Summary of significant accounting policies (Continued)

2.6 Retirement benefit costs

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

2.7 Employee leave entitlements

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

2.8 Income tax

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

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

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.

2. Summary of significant accounting policies (Continued)

2.8 Income tax (Continued)

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

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

2.9 Foreign currency transactions and translation

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

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. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment

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

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

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

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

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

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.

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 2018

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments

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

Effective interest method

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

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

Financial instruments from 1 January 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9, (i.e. 1 January 2018).

Financial assets

Initial recognition and measurement

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost

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

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

Impairment of financial assets

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

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

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

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

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

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

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 30.

Derecognition of financial assets

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

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Ordinary share capital

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* or FRS 18 *Revenue* previously.

Derecognition of financial liabilities

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

Financial assets before 1 January 2018

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial assets before 1 January 2018 (continued)

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.

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.

2. Summary of significant accounting policies (Continued)

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.

2.17 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. Summary of significant accounting policies (Continued)

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.

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

3.2 Key sources of estimation uncertainty

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

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 14 to the financial statements.

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

3.2 Key sources of estimation uncertainty (Continued)

Measurement of ECL of trade receivables and bill receivables

The Group uses an allowance matrix to measure ECL for trade receivables and bill receivables. The ECL rates are based on the Group's historical loss experience of the receivables, for the last 1 year prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the receivables and the economic environment which could affect the ability of the debtors to settle the trade receivables and bill receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables and bill receivables as at 31 December 2018 are disclose in Note 19 to the financial statements.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset may already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment at 31 December 2018 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 2018 is disclosed in Note 18 to the financial statements.

Measurement of prepayments

The Group's prepayments mainly pertain to the advances to supplier for future purchase. The loss allowances for prepayments are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The carrying amount of the Group's prepayments as at 31 December 2018 is disclosed in Note 20 to the financial statements.

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

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

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investment in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investment is impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries as at 31 December 2018 is disclosed in Note 17 to the financial statements.

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payables as at 31 December 2018 were RMB 3,811,000 (2017: RMB 5,076,000).

4. Revenue

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

in RMB'000	Reportable segments													
	Sale of goods								Processing		Inter-segment revenue		Total	
	Zipper Chain		Zipper Slider		Trading		Total							
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Geographical markets[a]														
PRC	301,692	310,086	86,642	97,799	–	–	388,334	407,885	86,097	67,740	(20,534)	(18,816)	453,897	456,809
Hong Kong	–	–	–	–	447,051	464,860	447,051	464,860	–	–	–	–	447,051	464,860
	301,692	310,086	86,642	97,799	447,051	464,860	835,385	872,745	86,097	67,740	(20,534)	(18,816)	900,948	921,669
Timing of revenue recognition														
Goods transferred at a point in time	301,692	310,086	86,642	97,799	447,051	464,860	835,385	872,745	86,097	67,740	(20,534)	(18,816)	900,948	921,669

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

4. Revenue (Continued)

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

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

Contract balances

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Contract liabilities – Advance from customers (Note 25)	(55,603)	(52,422)

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

	2018	**2017**
	RMB'000	**RMB'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	52,422	41,178

5. Other income

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Government grant	383	349
Gain on valuation of investment property (Note 14)	12,030	13,912
Reversal of doubtful receivables (Note 19)	–	16,264
Foreign exchange gain, net	4,790	–
Rental and management income	16,194	84
Others	401	513
	33,798	31,122

6. Interest income and financial costs

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Interest income from:		
- Bank deposits	692	1,035
Interest expense on:		
- Bank loans	16,547	14,229

7. Other expenses

	Group	
	2018	2017
	RMB'000	RMB'000
Foreign exchange loss, net	–	9,474
Others	453	1,488
	453	10,962

8. Profit before income tax

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

	Group	
	2018	2017
	RMB'000	RMB'000
Personnel expenses (Note 10)	68,517	64,012
Gain from fair valuation on investment property	(12,030)	(13,912)
Net allowance for/(write back of) doubtful trade receivables	485	(275)
Net allowance for/(write back of) doubtful other receivables	950	(15,989)
Net allowance for advance to suppliers	6,032	–
Net (write back of)/provision for social security contribution	(1,188)	1,904
Audit fees charged by auditors of the Company	1,480	1,234

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.

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

9. Significant related party transactions (Continued)

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

Compensation of directors and key management personnel

	Group		Company	
	2018	2017	2018	2017
	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)	3,025	3,067	1,928	1,950
Comprises amounts paid to:				
- Directors	1,856	1,878	1,328	1,350
- Other key management personnel	1,169	1,189	600	600
	3,025	3,067	1,928	1,950

No defined contribution plans were paid to key management personnel.

10. Personnel expenses

	Group	
	2018	2017
	RMB'000	RMB'000
Salaries and bonuses	67,329	63,692
Contribution to defined contribution plans	1,188	320
	68,517	64,012

11. Income tax expense

	Group	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
- Current financial year	2,814	3,266
Deferred income tax (Note 27)		
- Origination and reversal of temporary differences	3,155	5,958
Total income tax expense	5,969	9,224

11. Income tax expense (Continued)

The reconciliation between tax expense and the profit before income tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Profit before income tax	13,053	25,438
Tax at the domestic tax rates applicable to profits in the countries where the Group operates	2,637	7,074
Adjustments:		
- Non-deductible expenses	8,110	7,591
- Income not subject to taxation	(3,304)	(6,362)
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries	147	2,412
- Utilisation of deferred tax assets previously not recognised	(1,248)	–
- Others	(373)	(1,491)
Total income tax expense	5,969	9,224

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 2018 (2017: 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 2018 (2017: 25%).

Rental income from Xiamen Fuxing is subjected to EIR tax rate of 25% for the year ended 31 December 2018 (2017: 25%).

11. Income tax expense (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 2018 is 16.5% (2017: 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 2018 and 2017.

Unutilised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 68,188,000 (2017: 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. Earnings per share

Basic earnings per share is calculated by dividing the profit 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 (2017: 17,205,438).

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

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Profit for the year attributable to owners of the Company	6,991	16,214
	No. of shares '000	**No. of shares** ' 000
Weighted average number of ordinary shares for diluted earnings per share computation	17,205	17,205

Note: Basic earnings per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2017: 17,205,438).

	Group	
	2018	**2017**
Basic and diluted earnings per share (RMB per share)	0.41	0.94

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 2017	174,153	270,823	11,331	4,139	–	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	4,363	339	505,200
Additions	10,192	14,827	1,742	216	7,312	34,289
Write off	(8,151)	–	(522)	–	–	(8,673)
At 31 December 2018	182,355	322,223	14,008	4,579	7,651	530,816
Accumulated depreciation						
At 1 January 2017	95,638	109,155	10,490	3,850	–	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	3,984	–	242,629
Depreciation charge for the financial year	14,809	15,548	658	130	–	31,145
Write off	(8,009)	–	(273)	–	–	(8,282)
At 31 December 2018	110,427	139,578	11,373	4,114	–	265,492
Net carrying amount						
At 31 December 2018	71,928	182,645	2,635	465	7,651	265,324
At 31 December 2017	76,687	183,366	1,800	379	339	262,571

In year 2017, 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 2018

13. Property, plant and equipment (Continued)

Purchase of property, plant and equipment

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Aggregate cost of property, plant and equipment acquired	34,289	14,186
Less: Prepayments made in prior financial year (Note 20)	(1,144)	(429)
Add: Prepayments made in current financial year (Note 20)	–	1,144
Net cash outflow for purchase of property, plant and equipment	33,145	14,901

Assets pledged as security

As of 31 December 2018, certain buildings of the Group with net carrying amount of RMB 176,710,000 (2017: RMB 178,182,000) 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	
	2018	**2017**
	RMB'000	**RMB'000**
At fair value:		
At 1 January	498,470	476,100
Additions	–	44,988
Transferred to PPE	–	(36,530)
Revaluation gain included in profit or loss (Note 5)	12,030	13,912
At 31 December	510,500	498,470
Statement of comprehensive income		
Rental income from investment property and management income *(Including direct expenses) - net*	16,194	84

The construction of the investment property was completed in 2017. 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 which arose on the financing specifically entered into for the construction of the investment property was capitalised in 2017. No further capitalisation of borrowing costs upon the completion of the construction of the investment property in 2018.

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 2018 and 31 December 2017. The valuation of investment property was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd, on 31 December 2018 and 31 December 2017. 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.

Property pledged as security

The investment property is mortgaged to secure short-term loans (Note 26).

Details of the investment property held by the Group as at 31 December 2018 and 2017 are as follows:

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

15. Land use rights

	Group 2018 RMB'000	Group 2017 RMB'000
Cost		
At 1 January and 31 December	35,300	35,300
Accumulated amortisation		
At 1 January	6,557	5,652
Additions	905	905
At 31 December	7,462	6,557
Net carrying amount		
At 31 December	27,838	28,743
Amount to be amortised		
- Not later than one year	905	855
- Later than one year but not later than five years	4,525	4,275
- Later than five years	22,408	23,613

The Group has land use rights over six plots (2017: 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 28 years to 40 years (2017: 29 years to 41 years).

16. Intangible assets

	Software RMB'000	Patent RMB'000	Customer base RMB'000	Operating licence RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2017, 31 December 2017 and 2018	209	46,000	71,951	98,254	216,414
Accumulated amortisation					
At 1 January 2017, 31 December 2017 and 2018	209	20,262	18,587	10,793	49,851
Accumulated impairment					
At 1 January 2017, 31 December 2017 and 2018	–	25,738	53,364	87,461	166,563
Net carrying amount					
At 31 December 2017 and 2018	–	–	–	–	–

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 2018 RMB'000	Company 2017 RMB'000
Unquoted shares, at cost	344,853	344,853

Name	Country of incorporation	Principal activities	Effective equity held by the Company 2018 %	Effective equity held by the Company 2017 %
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
Held through Xiamen Fuxing				
Xiamen Xinfuxing Property Management Co., Ltd ("Xiamen Property") (3)	People's Republic of China	To handle property management and realtor services for the Group's Xiamen headquarters	80	–

17. Investment in subsidiaries (Continued)

Notes on auditors

(1) Reviewed by an overseas member firm of Mazars for consolidation purposes.

(2) Audited by an overseas member firm of Mazars for consolidation purposes.

(3) Newly incorporated during the year. The unaudited management accounts have been used for consolidation purposes as they are not material to the Group's financial statements. Summarised financial information was not disclosed as the non-controlling interest of the Group is not significant.

18. Inventories

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Raw materials	15,075	12,986
Work-in-progress	12,241	10,754
Finished goods	42,874	32,755
	70,190	56,495

The Group has recognised RMB849,643,000 (2017: RMB 861,527,000), as an expense in cost of sales.

19. Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	304,702	310,349	–	–
Less: loss allowance (Note 30)	(60,818)	(60,333)	–	–
	243,884	250,016	–	–
Bills receivables	13,210	28,956	–	–
Other receivables	12,550	5,129	2	2
Amount due from subsidiaries (non-trade)	–	–	475,678	481,061
Less: loss allowance (Note 30)	(950)	–	(94,720)	(90,363)
Total trade and other receivables	268,694	284,101	380,960	390,700

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 90 to 180 days (2017: 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 2018 and 2017.

19. Trade and other receivables (Continued)

Bills receivable

Bills receivable are interest-free and have maturity periods of approximately 180 days (2017: 180 days) and are denominated in the functional currencies of the respective companies.

Amount due from subsidiaries

Amount due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Amounts due from subsidiaries are denominated in the functional currency of the respective company except for an amount of RMB74,737,000 (2017: RMB71,300,000) which are denominated in Hong Kong dollar ("HKD").

The details of the impairment of trade and other receivables and credit exposures are disclosed in Note 30.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RMB 2,856,000 (2017: RMB 7,759,000) 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	
	2018	**2017**
	RMB'000	**RMB'000**
Trade receivables past due but not impaired:		
More than 180 days	2,856	7,759

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 loss allowance used to record the impairment are as follows:

Trade receivables

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Trade receivables	60,818	60,333
Less: loss allowance	(60,818)	(60,333)
	–	–
Movement in loss allowance:		
At 1 January	60,333	60,608
Charge for the financial year	596	–
Written back	(111)	(275)
At 31 December	60,818	60,333

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

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19. Trade and other receivables (Continued)

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

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	950	–	94,720	90,363
Less: loss allowance	(950)	–	(94,720)	(90,363)
	–	–	–	–
Movement in loss allowance:				
At 1 January	–	15,989	90,363	96,698
Foreign exchange	–	–	4,357	(6,335)
Charge for the financial year	950	–	–	–
Written back	–	(15,989)	–	–
At 31 December	950	–	94,720	90,363

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	
	2018	2017
	RMB'000	RMB'000
Non-current:		
Prepayments for property, plant and equipment	–	1,144
Current:		
Advances to suppliers	88,088	90,161
Less: loss allowance	(6,032)	–
	82,056	90,161
Prepaid operating expenses	2,586	2,462
	84,642	92,623
Total prepayments	84,642	93,767

The prepayments are non-interest bearing, refundable on demand and denominated in the functional currency of the respective entities as at 31 December 2018 and 2017.

Movement in loss allowance for advance to suppliers:

At 1 January	–	–
Charge for the financial year	6,032	–
At 31 December	6,032	–

21. Cash and short-term deposits

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at banks and on hand	23,748	166,551	240	359
Short-term deposits	40,000	31,500	–	–
Cash and short-term deposits	63,748	198,051	240	359

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 40,000,000 (2017: RMB 31,500,000) 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	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
United States Dollar	978	–	–	–
Singapore Dollar	69	110	69	110
Hong Kong Dollar	740	248	171	248

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	
	2018	**2017**
	RMB'000	**RMB'000**
Cash and short-term deposits	63,748	198,051
Less: short-term deposits pledged	(40,000)	(31,500)
Cash and unpledged short-term deposits	23,748	166,551
Less: bank overdrafts (Note 26)	–	(18,236)
Cash and cash equivalents	23,748	148,315

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22. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2018		2017	
	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			
	2018		2017	
	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.

23. Other reserves (Continued)

(c) Restructuring reserve

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

(d) Foreign currency translation reserve

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

24. Trade and other payables

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables		4,991	7,482	–	–
Bills payables to banks		84,000	113,793	–	–
Provision for minimum tax contribution		95,000	95,000	–	–
Amounts due to directors (non-trade)		56,678	10,891	680	9,250
Total trade and other payables		240,669	227,166	680	9,250
Add: Other liabilities	25	129,680	173,706	1,870	1,725
Add: Loans and borrowings	26	221,400	326,673	–	–
Total financial liabilities carried at amortised cost		591,749	727,545	2,550	10,975

<u>Trade payables</u>

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

<u>Bills payables to banks</u>

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Bill payable 1	64,000	51,000
Bill payable 2	20,000	15,000
Bill payable 3	–	47,793
	84,000	113,793

24. Trade and other payables (Continued)

Bills payables to banks (Continued)

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

1 Bill payable to bank amounting to RMB 64,000,000 (2017: RMB 51,000,000) 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 20,000,000 (2017: RMB 15,000,000) 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 NIL (2017: RMB 47,793,000) is 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, 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 2018 and 2017.

25. Other liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract liabilities - Advances from customers	55,603	52,422	–	–
Accrued salary and bonuses	36,443	37,311	350	350
Other accruals	37,634	83,973	1,520	1,375
	129,680	173,706	1,870	1,725

In 2017, 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 2018 and 2017.

26. Loans and borrowings

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Short-term bank loans:		
Loan 1	112,000	129,060
Loan 2	7,900	9,000
Loan 3	–	41,377
Loan 4	82,500	110,000
Loan 5	19,000	19,000
	221,400	308,437
Bank overdraft	–	18,236
Total loans and borrowings	221,400	326,673

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.

3 At 31 December 2017, the short-term loan of RMB 41,377,000 and bank overdraft of RMB 18,236,000 were 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). The short-term loan was fully repaid in 2018.

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% (2017: 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 2018 and 2017. Except for Loan 4, the short-term loans bear interest ranging from 4.4% to 6.1% (2017: 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:

Group	Accelerated tax depreciation RMB'000	Revaluation of investment property RMB'000	Withholding tax on undistributed profits [1] RMB'000	Total RMB'000
Deferred tax liabilities				
At 1 January 2017	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
(Credit)/Charge to profit or loss	(68)	4,474	(1,251)	3,155
At 31 December 2018	9,035	13,316	9,204	31,555

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

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.

28. Segment information (Continued)

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

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

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

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

Geographical information

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

	Revenue		**Non-current assets**	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
People's Republic of China	453,897	456,809	803,659	790,926
Hong Kong	447,051	464,860	3	2
	900,948	921,669	803,662	790,928

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 2018 and 2017.

	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 2018							
Revenue:							
Sales to external customers	301,692	86,642	447,051	65,563	–	–	900,948
Inter-segment sales	–	–	–	20,534	–	(20,534)	–
Total revenue	301,692	86,642	447,051	86,097	–	(20,534)	900,948
Results:							
Segment gross profit	22,137	9,848	12,184	5,226	–	–	49,395
Segment results	1,593	3,015	9,967	(8,756)	23,089	–	28,908
Interest income	557	126	–	6	3	–	692
Financial costs	(7,574)	–	(2,870)	(1,344)	(4,759)	–	(16,547)
Profit before income tax							13,053
Income tax expense							(5,969)
Net profit attributable to shareholders							7,084
Other segment information							
Fair value gain on investment property	–	–	–	–	(12,030)	–	(12,030)
Depreciation and amortisation	16,250	3,288	1	11,647	864	–	32,050
Write back of provision for social security contribution	(1,035)	(141)	–	(12)	–	–	(1,188)
Allowance of doubtful trade and other receivables	480	(5)	–	10	950	–	1,435
Write of property, plant and equipment	336	–	–	10	–	–	391
Total assets	350,018	83,780	144,705	144,631	567,802	–	1,290,936
Total assets include:							
Capital expenditure for property, plant and equipment	12,406	273	2	10,323	11,285	–	34,289
Total liabilities	(248,910)	(50,959)	(104,008)	(60,702)	(162,536)	–	(627,115)

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 2017							
Revenue:							
Sales to external customers	310,086	97,799	464,860	48,924	–	–	921,669
Inter-segment sales	–	9,269	–	18,816	–	(28,085)	–
Total revenue	310,086	107,068	464,860	67,740	–	(28,085)	921,669
Results:							
Segment gross profit	36,257	11,171	10,562	147	–	–	58,137
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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29. Commitments

(a) Operating lease commitments

Lessor

The Group has entered into residential and commercial property leases on its investment property. These non-cancellable leases have remaining lease terms of between 2 and 9 years.

As at the end of the financial year, future minimum rentals receivables under non-cancellable operating leases at the end of the financial year are as follows:

	2018
	RMB'000
Future minimum lease payments payable:	
Within one year	18,940
After one year but within five years	74,282
More than five years	64,049
	157,271

(b) Guarantees

No corporate guarantee as at 31 December 2018 as the Group has fully repaid the bills payable, bank overdraft and short-term bank loans. Thus, the guarantees were released.

At 31 December 2017, 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 (Note 24);

– Bank overdraft of RMB 18,236,000 (Note 26); and

– Short-term bank loans of RMB 41,377,000 (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 instruments and financial risks

Financial instruments by category

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

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Loans and receivables			
Trade and other receivables	19	–	284,101
Cash and cash equivalents	21	–	198,051
		–	482,152
Financial assets at amortised cost			
Trade and other receivables	19	268,694	–
Cash and cash equivalents	21	63,748	–
		332,442	–
Financial liabilities at amortised cost			
Trade and other payables	24	145,669	132,166
Other liabilities	25	129,680	173,706
Bank borrowings, fixed interest rates	26	221,400	326,673
		496,749	632,545

	Note	Company 2018 RMB'000	Company 2017 RMB'000
Loans and receivables			
Trade and other receivables	19	–	390,700
Cash and cash equivalents	21	–	359
		–	391,059
Financial assets at amortised cost			
Trade and other receivables	19	380,960	–
Cash and cash equivalents	21	240	–
		381,200	–
Financial liabilities at amortised cost			
Trade and other payables	24	680	9,250
Other liabilities	25	1,870	1,725
		2,550	10,975

30. Financial instruments and financial risks (Continued)

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.

Credit risk

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

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

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

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

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

30. Financial instruments and financial risks (Continued)

Credit risk (Continued)

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

Category	Description	Basis of recognising ECL
1	Counterparty has a low credit risks Note 1, non-significant increase in credit risks since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
2	Significant increase in credit risk since initial recognition Note 2 or financial asset is > 30 days past due	Lifetime ECL – not credit impaired
3	Evidence indicates that financial asset is credit-impaired Note 3	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
4	Evidence indicates that the management has no reasonable expectations of recovering the write off amount Note 4	Written off

Note 1. Low credit risk

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

Note 2. Significant increase in credit risk

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

30. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Note 3. Credit impaired

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

- Significant financial difficulty of the debtor;
- Breach of contract; such as a default or being more than 180 days from invoice date;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

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

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

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

Credit risk concentration profile

The Group is principally engaged in the production and sale of zipper sliders, zipper chains, provision of colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn. The Group is also engaged in 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			
	2018		**2017**	
	RMB'000	**% of total**	**RMB'000**	**% of total**
By country:				
People's Republic of China	100,800	41	107,524	43
Hong Kong	143,084	59	142,492	57
	243,884	100	250,016	100

At the end of the reporting period, approximately 62% (2017: 64%) of the Group's trade receivables were due from 6 (2017: 6) major customers who are mainly trading companies located in the PRC and Hong Kong.

30. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Trade receivables and bill receivables (Note 19)

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

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

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

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

		Past due			
	Current	**1 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
31 December 2018					
Expected credit loss rates	0%	0%	0%	95.9%	
Trade receivables (gross)	58,651	118,956	63,421	63,674	304,702
Bill receivables (gross)	13,210	–	–	–	13,210
Loss allowance (including credit impaired)	–	–	–	60,818	60,818
1 January 2018					
Expected credit loss rates	0%	0%	0%	88.6%	
Trade receivables (gross)	–	200,409	41,848	68,092	310,349
Bill receivables (gross)	28,956	–	–	–	28,956
Loss allowance (including credit impaired)	–	–	–	60,333	60,333

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

30. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Other receivables (Note 19) and prepayments (Note 20)

As of 31 December 2018, the Group recorded other receivables and prepayments amounted to RMB12,550,000 (2017: RMB5,129,000) and RMB84,642,000 (2017: RMB93,767,000), respectively. The Group assessed on the other receivables and prepayments made to those suppliers' credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that a loss allowances of RMB950,000 and RMB6,032,000 (2017: Nil) on other receivables and prepayments respectively were made.

Amount due from subsidiaries (Note 19)

As of 31 December 2018, the Company recorded amount due from subsidiaries of RMB 380,958,000 (2017: RMB 48,364,000) consequent to an extension of loans to the subsidiaries. The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk other than the credit impaired amount of RMB 94,720,000 (2017: RMB 90,363,000). In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2018. Using 12-month ECL, the Company determined that the ECL is insignificant.

30. Financial instruments and financial risk (Continued)

Credit risk (Continued)

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

	Group							Company		
	Trade receivables			Bill receivables	Other receivables and prepayments			Other receivables and amount due from subsidiaries		
	Note (i)	Category 3	Total	Note (i)	Note (i)	Category 3	Total	Note (i)	Category 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Internal credit risk grading										
Loss allowance										
Balance at 1 January 2018	–	60,333	60,333	–	–	–	–	–	90,363	90,363
Financial assets repaid	–	(111)	(111)	–	–	–	–	–	–	–
Impairment loss recognised	–	596	596	–	–	6,982	6,032	–	–	–
Exchange differences	–	–	–	–	–	–	–	–	4,357	4,357
Balance at 31 December 2018	–	60,818	60,818	–	–	6,982	6,032	–	94,720	94,720
Gross carrying amount										
At 1 January 2018	250,016	60,333	310,349	28,956	98,896	–	98,896	390,700	90,363	481,063
At 31 December 2018	243,884	60,818	304,702	13,210	96,242	6,982	103,224	380,960	94,720	475,680
Net carrying amount										
At 1 January 2018	250,016	–	250,016	28,956	98,896	–	98,896	390,700	–	390,700
At 31 December 2018	243,884	–	243,884	13,210	96,242	–	96,242	380,960	–	380,960

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

30. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Comparative information under FRS 39

The Group's impaired trade receivables at 31 December 2017 had a gross carrying amount of RMB 60,333,000. At 31 December 2017, the trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The trade receivables that are past due for more than 180 days but not impaired is amounted to RMB7,759,000 as at 31 December 2017.

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% (2017: 100%) of the Group's borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

Analysis of financial instruments by remaining contractual maturities

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

	One year or less	
	2018	**2017**
Group	**RMB'000**	**RMB'000**
Financial assets:		
Trade and other receivables	268,694	284,101
Prepayments	84,642	92,623
Cash and short-term deposits	63,748	198,051
Total undiscounted financial assets	417,084	574,775
Financial liabilities:		
Trade and other payables	145,669	132,166
Other liabilities	129,680	173,706
Loans and borrowings	221,400	326,673
Total undiscounted financial liabilities	496,749	632,545
Total net undiscounted financial liabilities	**(79,665)**	**(57,770)**

30. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

	One year or less	
	2018	**2017**
	RMB'000	**RMB'000**
Company		
Financial assets:		
Trade and other receivables	380,960	390,700
Cash and short-term deposits	240	359
Total undiscounted financial assets	381,200	391,059
Financial liabilities:		
Other liabilities	1,870	1,725
Amounts due to directors (non-trade)	680	9,250
Total undiscounted financial liabilities	2,550	10,975
Total net undiscounted financial assets	**378,650**	**380,084**

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	
	2018	**2017**
	RMB'000	**RMB'000**
Financial guarantees - one year or less	–	31,500

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 (2017: 100) basis points lower/higher and all other variables were held constant, the Group's profit/(loss) before income tax would have been RMB 2,214,000 (2017: RMB 3,267,000) 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.

30. Financial instruments and financial risk (Continued)

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 mainly denominated in HKD. Accordingly, the Group's statements of financial position can be affected by movements in the 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 other currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2018	2017	2018	2017
	Loss before income tax		Loss before income tax	
	RMB'000	RMB'000	RMB'000	RMB'000
HKD – strengthened 5% (2017: 5%)	(3,745)	(3,577)	(3,745)	(3,577)
– weakened 5% (2017: 5%)	3,745	3,577	3,745	3,577

31. Fair value of assets and liabilities

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

(a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active liquid markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities (excluding derivative instruments) are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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.

31. Fair value of assets and liabilities (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring Fair Value Measurement			
Group			
2018			
Non-financial assets:			
Investment property - Commercial	–	–	510,500
2017			
Non-financial assets:			
Investment property - Commercial	–	–	498,470

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	
	2018 RMB'000	2017 RMB'000
At 1 January	498,470	476,100
Addition	–	44,988
Transfer to PPE	–	(36,530)
Total gains for financial year included in profit or loss	12,030	13,912
At 31 December	510,500	498,470

The amount of total gains for the financial year included in profit or loss under 'Other income' that is attributable to the change in unrealised gains relating to commercial investment property is RMB 12,030,000 (2017: gain of RMB 13,912,000).

Valuation policies and procedures

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

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

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

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

Notes to **the Financial Statements**

For the financial year ended 31 December 2018

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 2018 and 2017.

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 2018 and 2017.

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	
	2018	**2017**
	RMB'000	**RMB'000**
Trade and other payables	240,669	227,166
Other liabilities	129,680	173,706
Loans and borrowings	221,400	326,673
Less: Cash and unpledged fixed deposits	(63,748)	(198,051)
Net debt	528,001	529,494
Equity attributable to owners of the Company	663,688	661,177
Less: Reserve fund	(66,015)	(65,870)
Total capital	597,673	595,307
Capital and net debt	1,125,674	1,124,801
Gearing ratio	0.47	0.47

Statistics of **Shareholdings**

As at 18 March 2019

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	108	8.46	4,613	0.03
100 - 1,000	754	59.09	354,240	2.06
1,001 - 10,000	352	27.59	998,978	5.81
10,001 - 1,000,000	60	4.70	3,228,497	18.76
1,000,001 AND ABOVE	2	0.16	12,619,110	73.34
TOTAL	**1,276**	**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	3,019,110	17.55
3	UOB KAY HIAN PRIVATE LIMITED	633,240	3.68
4	HONG QINGLIANG	468,640	2.72
5	KHOE HONG OAN	220,500	1.28
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	168,178	0.98
7	WONG PANG FEI	115,384	0.67
8	SHI NENGYI	99,680	0.58
9	WU SHU MAN	72,600	0.42
10	PHILLIP SECURITIES PTE LTD	70,120	0.41
11	XU PENG FENG	70,000	0.41
12	RAFFLES NOMINEES (PTE.) LIMITED	69,140	0.40
13	ONG SWEE LOONG	64,000	0.37
14	CAI MINGXIN	62,240	0.36
15	KWEK LAY HAR	55,460	0.32
16	OCBC SECURITIES PRIVATE LIMITED	52,880	0.31
17	CHAI FOO NGEE	46,640	0.27
18	NUN KWONG HOLDINGS PTE LTD	45,760	0.27
19	QIU JIAN SHENG	42,820	0.25
20	TAN AH GUAN	39,000	0.23
	TOTAL	**15,015,392**	**87.28**

Statistics of **Shareholdings**

As at 18 March 2019

SUBSTANTIAL SHAREHOLDERS (AS AT 18 MARCH 2019)

(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)	9,600,000	55.80	–	–
CIM Investment Management Limited(3)	–	–	2,753,460	16.00
Santa Lucia Asset Management Pte Ltd(4)	–	–	2,753,460	16.00
Paul Dumond(5)	–	–	2,753,460	16.00
Rupert James Philip Morton(6)	–	–	2,753,460	16.00

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 22.10% 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 137 Cecil Street, HengDa Building, #04-01, Singapore 069537 on Wednesday, 24 April 2019 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 2018 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 Qing Liang **(Resolution 2)**
   Dr Ho Kah Leong **(Resolution 3)**
   Mr Qiu Qing Yuan **(Resolution 4)**

   Mr Hong Qing Liang will, upon re-election as Director of the Company, remain as a member of the Nominating Committee. Detailed information of Mr Hong reqiured pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.

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

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

3. To approve the payment of Directors' fees of S$102,400 for the year ending 31 December 2019, payable half-yearly in arrears. (2018: S$107,000). **(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 as Ordinary Resolution:

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

Notice of **Annual General Meeting**

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

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards 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)**

By Order of the Board

Victor Lai Kuan Loong
Company Secretary
Singapore, 8 April 2019

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.

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)
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

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

China Headquarter

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

Auditors

Mazars LLP
135 Cecil Street
#10-01 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

Legal Counsel

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

福兴集团
FUXING GROUP

Fuxing China Group Limited

SYMBOLIC BRAND OF CHINA