

FUXING CHINA GROUP LIMITED

(Incorporated in the Bermuda with limited liability)

(Company Registration Number: 38973)

Condensed Interim Financial Statements

For the six months ended 30 June 2023

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	The Group	
		6 months ended 30 June 2023 (Unaudited) RMB'000	6 months ended 30 June 2022 (Unaudited) RMB'000
Revenue	4	377,077	416,188
Cost of sales		<u>(353,263)</u>	<u>(383,498)</u>
Gross profit		23,814	32,690
Other items of income			
Other income	5	12,524	13,025
Interest income	6	151	565
Other items of expenses			
Marketing and distribution costs		(7,912)	(4,119)
Administrative expenses		(25,114)	(15,605)
Other expenses	7	-	(1,398)
Finance costs	6	(5,950)	(4,831)
(Loss)/ Profit before tax	8	(2,487)	20,327
Income tax expenses	10	<u>(1,256)</u>	<u>(782)</u>
(Loss) / Profit for the period		(3,743)	19,545
Other comprehensive (loss) / income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<u>(3,790)</u>	<u>(5,444)</u>
Total comprehensive (loss) / income for the period		<u>(7,533)</u>	<u>14,101</u>
(Loss)/ Profit attributable to:			
Owners of the Company		(3,838)	19,277
Non-controlling interests		95	268
		<u>(3,743)</u>	<u>19,545</u>
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(7,628)	13,833
Non-controlling interests		95	268
		<u>(7,533)</u>	<u>14,101</u>
		RMB	RMB
(Loss) / Earnings/(per share attributable to owners of the Company)	11		
Basic and diluted		<u>(0.22)</u>	<u>1.12</u>

B. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	The Group		The Company	
		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current assets					
Property, plant and equipment	14	320,532	336,219	-	-
Investment properties		38,600	38,600	-	-
Land use right		23,764	24,217	-	-
Intangible assets		-	-	-	-
Investment in subsidiaries		-	-	344,853	344,853
		382,896	399,036	344,853	344,853
Current assets					
Inventories	15	64,234	52,387	-	-
Trade and other receivables	16	262,074	286,530	254,293	253,102
Prepayments	17	85,463	74,146	-	-
Cash and short-term deposits		185,901	154,079	497	1,570
		597,672	567,142	254,790	254,672
Total assets		980,568	966,178	599,643	599,525
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	18	772,574	772,574	772,574	772,574
Treasury shares	18	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund		67,130	67,130	-	-
Capital reserve		39,573	39,573	39,573	39,573
Restructuring reserve		(117,878)	(117,878)	-	-
Foreign currency translation reserve		(12,220)	(8,430)	-	-
Accumulated losses		(164,464)	(160,721)	(209,963)	(209,820)
Total equity attributable to owners of the Company		578,307	585,840	595,776	595,919
Non-controlling interests		230	363	-	-
Total equity		578,537	586,203	595,776	595,919
Current liabilities					
Trade and other payables	19	159,765	138,761	1,710	2,466
Other liabilities	20	78,975	81,262	2,157	1,140
Loans and borrowings	21	140,196	136,800	-	-
Income tax payable		4,207	4,329	-	-
		383,143	361,152	3,867	3,606
Non-current liabilities					
Deferred tax liabilities		18,888	18,823	-	-
Total liabilities		402,031	379,975	3,867	3,606
Total equity and liabilities		980,568	966,178	599,643	599,525

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

-----Attributable to owners of the Company-----

Group	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve¹	Translation reserve	Accumulated losses	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	772,574	(6,408)	67,008	39,573	(117,878)	2,851	(213,962)	26	543,784
Total comprehensive income for the period	-	-	-	-	-	(5,444)	19,277	268	14,101
Appropriation to reserve fund	-	-	122	-	-	-	(122)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(219)	(219)
At 30 June 2022	<u>772,574</u>	<u>(6,408)</u>	<u>67,130</u>	<u>39,573</u>	<u>(117,878)</u>	<u>(2,593)</u>	<u>(194,807)</u>	<u>75</u>	<u>557,666</u>
At 1 January 2023	772,574	(6,408)	67,130	39,573	(117,878)	(8,430)	(160,721)	363	586,203
Total comprehensive loss for the period	-	-	-	-	-	(3,790)	(3,743)	95	(7,438)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(228)	(228)
At 30 June 2023	<u>772,574</u>	<u>(6,408)</u>	<u>67,130</u>	<u>39,573</u>	<u>(117,878)</u>	<u>(12,220)</u>	<u>(164,464)</u>	<u>230</u>	<u>578,537</u>
Company	Share capital	Treasury shares	Contributed surplus	Accumulated losses	Total equity				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
At 1 January 2022	772,574	(6,408)	39,573	(216,579)	589,160				
Total comprehensive income for the period	-	-	-	2,041	2,041				
At 30 June 2022	<u>772,574</u>	<u>(6,408)</u>	<u>39,573</u>	<u>(214,538)</u>	<u>591,201</u>				
At 1 January 2023	772,574	(6,408)	39,573	(209,820)	595,919				
Total comprehensive loss for the period	-	-	-	(143)	(143)				
At 30 June 2023	<u>772,574</u>	<u>(6,408)</u>	<u>39,573</u>	<u>(209,963)</u>	<u>595,776</u>				

Note:

¹ **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. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months Ended 30 June 2023 (Unaudited) RMB'000	6 months Ended 30 June 2022 (Unaudited) RMB'000
OPERATING ACTIVITIES		
(Loss) /Profit before taxation	(3,062)	20,327
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	19,511	19,332
Amortisation of land use rights	453	453
Allowance/(Write back)/ for doubtful trade receivables	1,905	(8,418)
Write back for advances to suppliers	(331)	(1,733)
Loss on disposal of property, plant and equipment	-	1,393
Interest expense	5,942	4,831
Interest income	(143)	(565)
Foreign currency difference	(3,789)	(4,219)
Total adjustments	23,548	11,074
Operating cash flows before changes in working capital	20,486	31,401
(Increase)/ Decrease in:		
Inventories	(11,847)	(9,862)
Trade and other receivables	22,550	(16,903)
Prepayments	(10,986)	18,980
<u>Increase/ (Decrease) in:</u>		
Trade payables	15,110	6,482
Other payables & accruals	3,535	(3,513)
Due to directors	743	692
Total changes in working capital	19,105	(4,124)
Cash flows generated from operations	39,591	27,277
Income tax paid	(1,314)	(518)
Net cash generated from operating activities	38,277	26,759
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,824)	(28,039)
Proceeds from disposal of property, plant and equipment	-	4,127
Interest income received	143	565
Net cash used in investing activities	(3,681)	(23,347)
FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(228)	(219)
Proceeds from short-term borrowings	38,796	124,074
Repayments for short-term borrowings	(41,342)	(128,160)
(Increase) / Decrease in fixed deposits pledged to banks	(5,000)	25,500
Net cash (used in)/ generated from financing activities	(7,774)	21,195
NET INCREASE IN CASH & CASH EQUIVALENTS	26,822	24,607
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	125,579	119,870
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	152,401	144,477

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Note A:

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	6 months Ended 30 June 2023 Unaudited RMB'000	6 months Ended 30 June 2022 Unaudited RMB'000
Fixed deposits	33,500	23,000
Cash and bank balances	152,401	144,477
	185,901	167,477
Less: Fixed deposits (pledged)	(33,500)	(23,000)
Cash and cash equivalents	152,401	144,477

Fixed deposits for the six months ended 30 June 2023 amounting to RMB33,500,000 (30 June 2022: RMB23,000,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 General information

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 1.2 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”).

1.2 Group structure

Details of the subsidiaries of the Company at the end of the reporting period are set out below:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective equity held by the Company</u>	
			<u>30 June 2023</u> %	<u>31 December 2022</u> %
<i>Held by the Company</i>				
Jade Star Group Holdings Limited (“Jade Star”) ⁽¹⁾	British Virgin Islands	Investment holding	100	100
Fuxing China Group Limited (HK) (“FCG”) ⁽¹⁾	Hong Kong	Investment holding, to facilitate the application of the State-owned Land Use Right Certificate in respect of the Land Parcel	100	100
<i>Held through Jade Star</i>				
Jinjiang Fookhing Zipper Co., Ltd (“Fookhing Zipper”) ⁽²⁾	People's Republic of China	Production and sale of finished zippers and zipper chains	100	100
Jinjiang Fuxing Dress Co., Ltd (“Fuxing Dress”) ⁽²⁾	People's Republic of China	Production and sale of zipper sliders	100	100
Fookhing Group Trading Co., Ltd (“Fuxing HK”) ⁽²⁾	Hong Kong	Trading of raw materials for textile sector	100	100
Fulong Zipper and Weaving Co., Ltd (“Fulong”) ⁽¹⁾	People's Republic of China	Colour dyeing of fabric tapes for zippers	100	100
Jinjiang Jianxin Weaving Co., Ltd (“Jianxin”) ⁽¹⁾	People's Republic of China	Manufacturing and sales of dyed yarn	100	100
Jinjiang Fuxin Electroplating Co., Ltd (“Fuxin”) ⁽¹⁾	People's Republic of China	Provision of electroplating services for zipper sliders	100	100
<i>Held through FCG</i>				
Xiamen Fuxing Industrial Co., Ltd. (“Xiamen Fuxing”) ⁽²⁾	People's Republic of China	Real estate development	100	100
<i>Held through Xiamen Fuxing</i>				
Xiamen Xinfuxing Property Management Co., Ltd (“Xiamen Property”) ⁽³⁾	People's Republic of China	To handle property management and realtor services for the Group’s Xiamen headquarters	80	80

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the last audited annual financial statements for the year ended 31 December 2022.

The condensed interim financial statements are presented in Renminbi (“RMB”) and all amounts have been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

The accounting policies and method of computations used in the condensed interim financial statements are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out as below:

2.2 New and amended Standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.3 Use of judgment and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there are no critical judgements that have a significant effect on the amounts recognised in the financial statements.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 SEGMENT INFORMATION AND REVENUE

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**
The zippers segment represents manufactures and sells zipper sliders, zipper chain and finished zippers
- (ii) **Processing**
The processing segment represents colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn.
- (iii) **Trading**
The trading segment represents trading of raw materials, including rubber thread, nylon fabric and nylon yarn.
- (iv) **Corporate**
The corporate segment is involved in Group-level corporate services and treasury functions.

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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:

	<u>Revenue</u>		<u>Non-current assets</u>	
	30 June 2023 RMB'000	30 June 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
People's Republic of China	218,632	271,970	382,884	399,023
Hong Kong	158,445	144,218	12	13
Total	377,077	416,188	382,896	399,036

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.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the periods ended 30 June 2023 and 2022.

Group 30 June 2023	Zipper RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
Revenue:						
Sales to external customers	187,005	158,445	31,627	-	-	377,077
Inter-segment sales	12,487	-	10,625	-	(23,112)	-
Total revenue	<u>199,492</u>	<u>158,445</u>	<u>42,252</u>	<u>-</u>	<u>(23,112)</u>	<u>377,077</u>
Results:						
Segment gross profit	15,770	3,495	4,549	-	-	23,814
Segment results	(3,796)	2,396	1,980	2,732	-	3,312
Interest income	144	2	3	2	-	151
Financial costs	(3,460)	(1,783)	(707)	-	-	<u>(5,950)</u>
Loss before income tax						(2,487)
Income tax expenses						<u>(1,256)</u>
Loss attributable to shareholders						<u>(3,743)</u>
Other segment information						
Depreciation and amortisation	13,242	2	5,770	497	-	19,511
Allowance / (Write back) of doubtful trade and other receivables	1,752	-	179	(26)	-	1,905
Allowance/ (Write back) of doubtful advance to suppliers	334	-	206	(871)	-	(331)
Total assets	<u>672,037</u>	<u>94,769</u>	<u>160,057</u>	<u>53,705</u>	<u>-</u>	<u>980,568</u>
Total assets include:						
Capital expenditure for property, plant and equipment	3,305	--	519	-	-	3,824
Total liabilities	<u>(281,087)</u>	<u>(59,903)</u>	<u>(56,480)</u>	<u>(4,561)</u>	<u>-</u>	<u>(402,031)</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments (Continued)

Group 30 June 2022	Zipper RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
Revenue:						
Sales to external customers	244,285	144,218	27,685	-	-	416,188
Inter-segment sales	8,461	-	13,130	-	(21,591)	-
Total revenue	<u>252,746</u>	<u>144,218</u>	<u>40,815</u>	<u>-</u>	<u>(21,591)</u>	<u>416,188</u>
Results:						
Segment gross profit	26,126	3,153	3,411	-	-	32,690
Segment results	18,432	2,388	556	3,217	-	24,593
Interest income	544	-	4	17	-	565
Financial costs	(3,444)	(681)	(706)	-	-	<u>(4,831)</u>
Profit before income tax						20,327
Income tax expenses						<u>(782)</u>
Net profit attributable to shareholders						<u>19,545</u>
Other segment information						
Loss on disposal of fixed assets	1,393	-	-	-	-	1,393
Depreciation and amortisation	13,548	2	6,221	14	-	19,785
Allowance / (Write back) of doubtful trade and other receivables	(8,287)	-	141	(272)	-	(8,418)
(Write back) / Allowance of doubtful advance to suppliers	(422)	-	(441)	(870)	-	(1,733)
Total assets	<u>679,134</u>	<u>97,613</u>	<u>166,077</u>	<u>51,938</u>	<u>-</u>	<u>994,762</u>
Total assets include:						
Capital expenditure for property, plant and equipment	46,611	15	4,549	-	-	51,175
Total liabilities	<u>(304,265)</u>	<u>(58,512)</u>	<u>(72,361)</u>	<u>(1,959)</u>	<u>-</u>	<u>(437,097)</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Government grants	118	622
Foreign exchange gain, net	4,087	6,270
Rental and management income	8,302	5,835
Others	17	298
	<u>12,524</u>	<u>13,025</u>

6. INTEREST INCOME AND FINANCIAL COSTS

	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Interest income from:		
- Bank deposits	<u>151</u>	<u>565</u>
Interest expense on:		
- Bank loans	<u>5,950</u>	<u>4,831</u>

7. OTHER EXPENSES

	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Loss on disposal of assets held for sale	-	1,393
Others	<u>-</u>	<u>5</u>
	<u>-</u>	<u>1,398</u>

8. (LOSS)/ PROFIT BEFORE INCOME TAX

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

	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Personnel expenses	36,618	35,052
Loss on disposal of property, plant and equipment	-	1,393
Allowance/(net reversal) for doubtful trade receivables	1,905	(8,418)
Net reversal for advance to suppliers	<u>(331)</u>	<u>(1,733)</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

10. TAXATION

	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Current income tax expenses	1,256	679
Deferred income tax expenses relating to origination and reversal of temporary differences ¹	<u>-</u>	<u>103</u>
Income tax expenses for the period	<u>1,256</u>	<u>782</u>

Note:

- 1 On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which stated that distribution of dividends from profits accumulated from 1 January 2008, shall be subject to a withholding tax on distribution to foreign investors. Accordingly, the Group had provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding company) is incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

11. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / loss for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period amounting to 17,205,438 ordinary shares (2022: 17,205,438).

The following tables reflect the earnings / (loss) and share data used in the computation of basic and diluted earnings / (loss) per share for the periods ended:

	Group	
	30 June 2023 RMB'000	30 June 2022 RMB'000
(Loss)/ Profit for the year attributable to owners of the Company	<u>(3,838)</u>	<u>19,277</u>
	<u>No. of shares '000</u>	<u>No. of shares '000</u>
Weighted average number of ordinary shares for basic and diluted earnings/ (loss) per share computation	<u>17,205</u>	<u>17,205</u>

Note: Basic earnings / (loss) per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2022: 17,205,438).

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS / (LOSS) PER SHARE (CONTINUED)

	<u>Group</u>	
	30 June 2023	30 June 2022
Basic and diluted (loss) / earnings per share (RMB per share)	<u>(0.22)</u>	<u>1.12</u>

12. NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net asset value per share based on issued share capital at the end of the period (in RMB)	<u>33.6</u>	<u>34.1</u>	<u>34.6</u>	<u>34.6</u>

Net asset value per share for both periods is computed based on the number of shares in issue of 17,205,438.

13. DIVIDENDS

No interim dividend for the half year ended 30 June 2023 (30 June 2022: Nil) is recommended as the Group is in a loss position and intends to conserve cash for its operational needs.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets amounting to RMB3.8 million (30 June 2022: RMB 51.2 million).

15. INVENTORIES

	<u>Group</u>	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Raw materials	27,607	13,897
Work-in-progress	9,276	9,033
Finished goods	<u>27,351</u>	<u>29,457</u>
	<u>64,234</u>	<u>52,387</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	277,012	306,605	-	-
Less: loss allowance	(52,603)	(50,697)	-	-
	224,409	255,908	-	-
Bills receivables	3,962	5,779	-	-
Other receivables	33,703	24,843	2	2
Amount due from subsidiaries (non-trade)	-	-	254,291	253,100
Total trade and other receivables	<u>262,074</u>	<u>286,530</u>	<u>254,293</u>	<u>253,102</u>

Loss allowance

	30 June 2023 RMB'000	31 December 2022 RMB'000
At 1 January	50,697	58,525
Net (Reversal)/Charge for the period/year	<u>1,906</u>	<u>(7,828)</u>
	<u>52,603</u>	<u>50,697</u>

16. PREPAYMENTS

	30 June 2023 RMB'000	31 December 2022 RMB'000
Advances to suppliers	75,190	67,146
Prepayment for property, plant and equipment	7,173	3,210
Prepaid operating expenses	<u>3,100</u>	<u>3,790</u>
	<u>85,463</u>	<u>74,146</u>

17. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	<u>Group and Company</u>			
	<u>2023</u>		<u>2022</u>	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 30 June/31 December	<u>17,205</u>	<u>772,574</u>	<u>17,205</u>	<u>772,574</u>

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.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The ordinary shares have par value of SGD 5 each.

18. SHARE CAPITAL AND TREASURY SHARES

(b) Treasury shares

	Group and Company			
	2023		2022	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 30 June/31 December	<u>277</u>	<u>6,408</u>	<u>277</u>	<u>6,408</u>

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

19. TRADE AND OTHER PAYABLES

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	38,017	22,908	-	-
Bills payables to banks	120,857	115,706	-	-
Amounts due to directors (non-trade)	891	147	1,710	2,466
Total trade and other payables	<u>159,765</u>	<u>138,761</u>	<u>1,710</u>	<u>2,466</u>

20. OTHER LIABILITIES

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities – advances from customers	26,545	23,735	-	-
Accrued salary and bonuses	30,411	33,700	-	-
Other accruals	22,019	23,827	2,157	1,140
Total trade and other payables	<u>78,975</u>	<u>81,262</u>	<u>2,157</u>	<u>1,140</u>

21. LOANS AND BORROWINGS

	Group	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
Short-term bank loans:		
Loan 1	99,500	106,500
Loan 2	6,800	2,100
Loan 3	5,696	-
Loan 4	18,900	18,900
Loan 5	9,300	9,300
Total loans and borrowings	<u>140,196</u>	<u>136,800</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. LOANS AND BORROWINGS (CONTINUED)

- 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 Donghai Development Zone, Shenhui Town, Jinjiang City, Fujian Province, the PRC and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party Jinjiang Fuxing Dress Co., Ltd and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 2 This short-term bank loan is secured by certain land use rights and buildings owned by Jinjiang Fookhing Zipper Co., Ltd, located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a related party – Jinjiang Fuxing Dress Co., Ltd, and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 3 This short-term bank loan is secured by a charge over property (Unit 13 on 5th Floor) located at Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

Goldplan Corporation Limited is wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).
- 4 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.
- 5 This short-term bank loan 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 Donghai Comprehensive Development Zone, Shenhui 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.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 30 June 2023 and 31 December 2022. The short-term loans bear interest ranging from 2.1% to 7.4% (31 December 2022: 4.35% to 7.4%) and are repayable within 12 months.

22. CAPITAL COMMITMENTS

The Group had no material capital commitment during the six months ended 30 June 2023.

23. SUBSEQUENT EVENTS

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of the financial position of Fuxing China Group Limited and its subsidiaries as at 30 June 2023 and the related consolidated profit or loss and other comprehensive income consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed

2. Review of performance of the Group

	Group		
	6 months Ended 30/6/2023 Unaudited RMB'000	6 months Ended 30/6/2022 Unaudited RMB'000	Increase/ (Decrease) %
REVENUE			
Zipper	187,005	244,284	(23)
Trading	158,445	144,218	10
Processing	42,252	37,866	12
Inter-segment sales	(10,625)	(10,181)	4
Total Group Revenue	377,077	416,187	(9)

COST OF SALES

Zipper	171,235	218,159	(22)
Trading	154,950	141,065	10
Processing	37,703	34,455	9
Inter-segment sales	(10,625)	(10,181)	4
Total Group Cost of Sales	353,263	383,498	(8)

GROSS PROFIT

Zipper	15,770	26,125	(40)
Trading	3,495	3,153	11
Processing	4,549	3,411	33
Total Gross Profit	23,814	32,689	(27)

GROSS PROFIT MARGIN

	%	%	% pts
Zipper	8.4	10.7	(2.3)
Trading	2.2	2.2	-
Processing	10.8	9.0	1.8
Average Gross Profit Margin	6.3	7.9	(1.6)

NM: Not Meaningful

Revenue

The Group's revenue decreased by RMB39.1 million (or 9%) to RMB377.1 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB57.3 million). The decrease was partially offset by the increase in the trading segment (RMB14.2 million) and the Processing segment (RMB3.9 million).

The inter-segment sales elimination represented the dyeing and electroplating services provided by the Processing segment to the Zipper segment.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

The decrease in revenue from Zipper segment for 1H2023 was mainly due to the decrease in sales orders from the customers due to softening of demand amid a more challenging business environment in 1H2023 as compared to 1H2022.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance with customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the sales volume, profit margin are dependent on customers' demand. The increase in revenue from the Trading segment was mainly due to the increase in sales volume during 1H2023 as a result of increased demand.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB8.9 million (or 27%) to RMB23.8 million, mainly due to decrease in gross profit from the Zipper segment.

Average gross profit margin decreased by 1.5 percentage points to 6.3% mainly due to the decrease in gross profit margin from the Zipper segment as a result of the increase in cost of productions.

Other income and expenses

Other income comprises government subsidies, net foreign exchange gain, rental and management fee income.

The foreign exchange gain arose from the depreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances owing from subsidiaries in the Company's book due to depreciation of RMB against HK dollar.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB3.8 million (or 92%) to RMB7.9 million mainly due to increase in business trips and entertainment as a result of increase in promotional activities, eg., roadshow, exhibition, etc.

General and administrative expenses

General and administrative expenses increased by RMB9.5 million (or 61%) to RMB25.1 million mainly due to the net reversal of allowance for doubtful trade receivables amounted to RMB8.4 million in 1H2022 as compared to allowance for doubtful trade receivables amounted to RMB1.9 million for 1H2023.

Finance income and expenses

Finance expenses increased by RMB1.1 million to RMB6.0 million. This was mainly due to the increase in short-term bank loans 1H2023.

Finance income decreased by RMB0.4 million (or 73%) to RMB0.2 million was mainly due to the decrease in fixed deposits.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

FINANCIAL POSITION

Non-current assets

As at 30 June 2023, non-current assets amounted to RMB382.9 million comprising property, plant and equipment, investment properties and land use rights.

The Group's property, plant and equipment amounted to RMB320.5 million, decreased by 5% (or RMB15.7 million) compared to RMB336.2 million as at 31 December 2022. The decrease was mainly due to the depreciation expenses.

Current assets

As at 30 June 2023, current assets amounted to RMB597.7 million, increased by 5% (or RMB30.5 million) compared to RMB567.2 million as at 31 December 2022. This was largely due to an increase in cash and bank balance as a result of improvement of collection from trade receivables for 1H2023.

Inventories increased by RMB11.8 million (or 23%) to RMB64.2 million due to a built-up of inventories as the Group held a 3-months raw materials production requirement for the purpose of productions compared to a 2-months raw materials production requirement as at 31 December 2022.

For advances to suppliers, the Group will secure supply agreements with its various suppliers. The prepayments to suppliers were to secure the supply of raw materials at competitive prices for the year, at about 2% to 3% discount of the total contracted value. The Group will make the advance payment upon the signing of the purchase agreements. After the receipt of the advance payments, the suppliers will take approximately 1 to 2 months to make full delivery of the raw materials to the Group's warehouse.

Cash and bank balances increased from RMB125.6 million to RMB152.4 million mainly due to the improvement of collections from trade receivables for 1H2023.

Current liabilities

As at 30 June 2023, total current liabilities were RMB383.1 million, increased by 6% (or RMB22.0 million) compared to RMB361.1 million as at 31 December 2022. This was mainly attributable to the increase in trade and other liabilities due to the full utilization of the credit period from suppliers.

The short-term bank loan increased by RMB3.4 million (or 2%) to RMB140.2 million as at 30 June 2023 compared to RMB136.8 million as at 31 December 2022. This was mainly due to the new short-term bank loans obtained during the 1H2023.

The amount due to a director was funds remitted from Mr Hong Qing Liang for the payment of the professional fees and expenses incurred by the Company. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who had also agreed that all his personal loans granted shall be interest free.

Non-current liabilities

Non-current liabilities comprised of deferred tax liabilities. Deferred tax liabilities increased slightly by approximately RMB65,000.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 1H2023 amounted to RMB38.3 million compared to amounted RMB26.8 million in 1H2022. This was mainly due to the decrease in trade and other receivables.

Investing activities

Net cash flows used in investing activities in 1H2023 amounted to RMB3.7 million compared to amounted RMB23.3 million in 1H2022. This was mainly due to the decrease in acquisition of property, plant and equipment during 1H2023.

Financing activities

Net cash flows used in financing activities in 1H2023 amounted to RMB7.8 million while net cash flows generated from financing activities in 1H2022 amounted to RMB21.2 million. This was mainly due to the decrease in the fixed deposits pledged in 1H2022.

3. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The performance for 1H2023 is in line with the Company's profit guidance statement released to SGX-ST via SGXNET on 11 August 2023.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

Amid the more challenging business environment with softening demand resulting in decrease in sales, the Group recorded a loss for 1H2023. The Group will strive to step up efforts to increase the sales for 2H2023 through more promotional activities.

For the next 12 months, the Group expects cost pressures arising from the increased production costs in the current inflationary environment to continue to exert pressures on its gross margin. The Group's operating results will continue to be affected by high production costs, razor thin gross margin and uncertain customers' demand amidst challenging China's economic growth outlook.

As such, the Group is currently automating its manufacturing process progressively to mitigate the above mentioned cost pressures, although at a reduced pace now taking into account the more challenging business climate. The Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customers segment. In addition, the Group will be keeping a tight rein over its operating costs and monitoring its receivables and collections closely.

5. Dividend information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

6. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the
Board of Directors of
Fuxing China Group Limited

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 14 August 2023