3F ZIPPER

Fuxing China Group Limited

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CORPORATE **PROFILE**

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

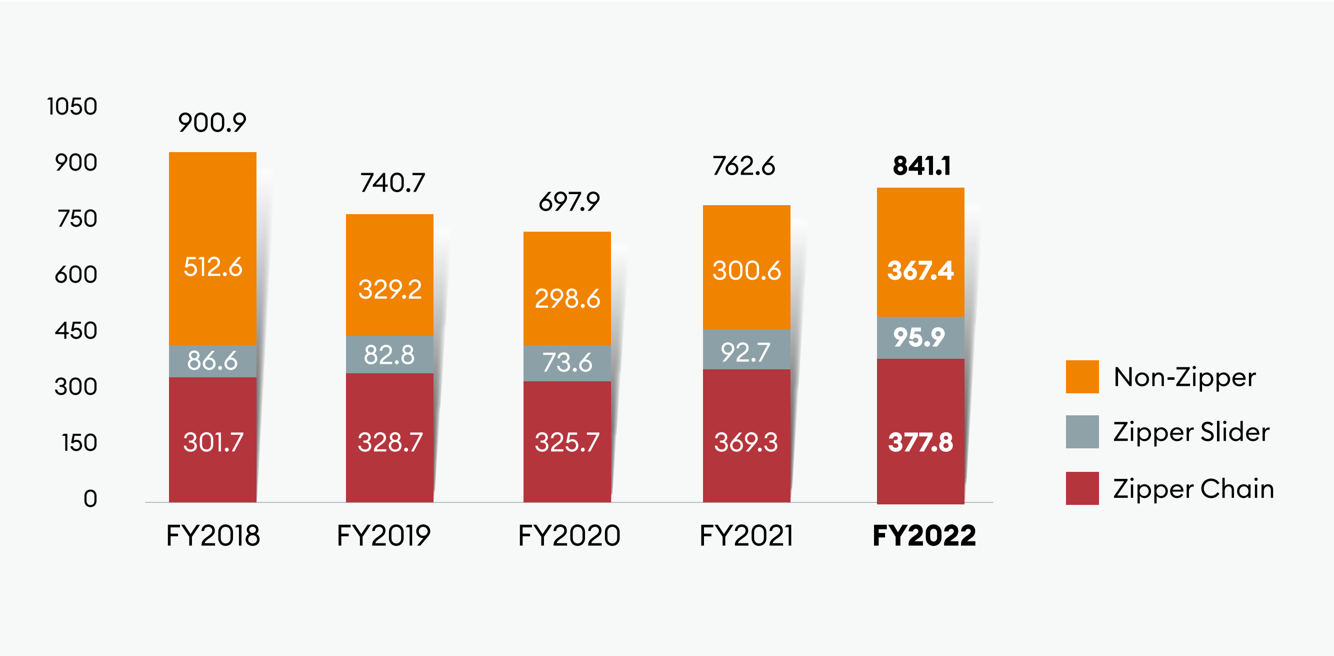
Since its establishment in 1993, Fuxing China has built up a credible track record and market reputation, having garnered over 20 awards in the past 10 years. Its proprietary "3F" brand has been named the "Symbolic Brand of China" (**中国标志性品牌**) by First Chinese Well-Known Brand Conference in 2006 and "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 alloww 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.

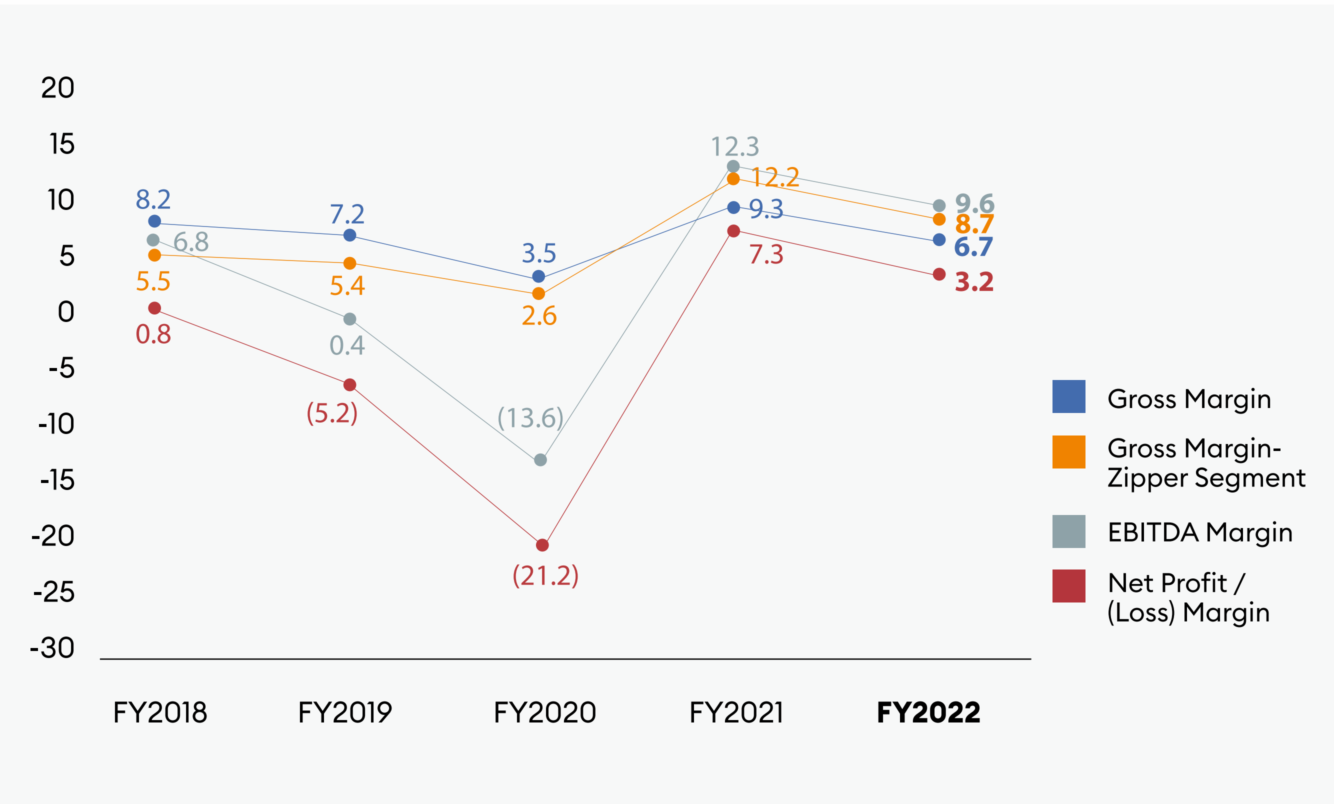
To ensure continual innovation in product quality and improved efficiency, Fuxing China places strong emphasis on product and technical R&D. The Group has a research partnership with the Software Institute of Xiamen University with the aim of enhancing production efficiencies and automation in the manufacturing 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

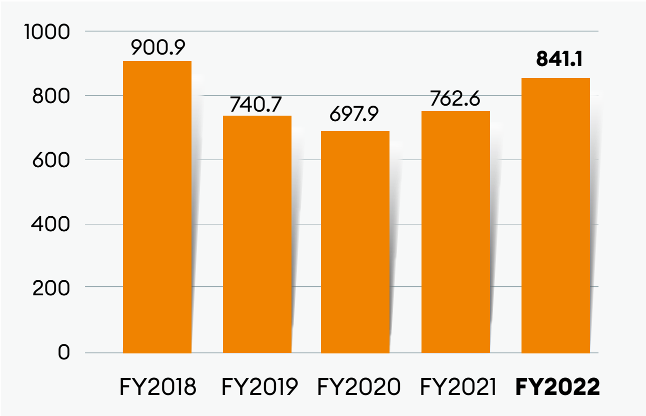


Margin Trends
%

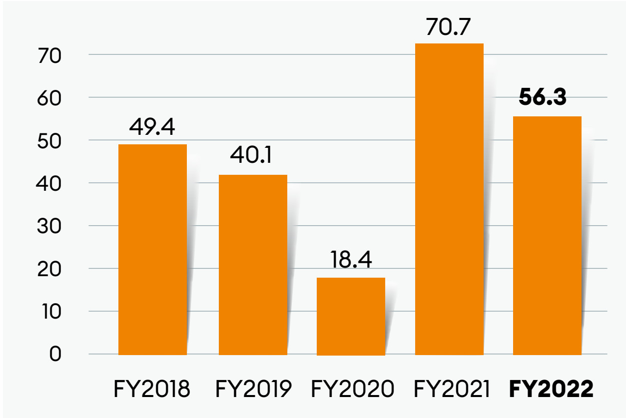


PERFORMANCE BENCHMARKS **AT A GLANCE**

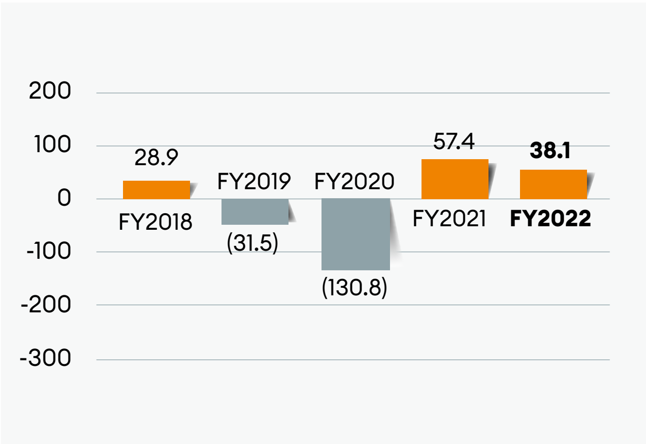
Revenue
RMB' million



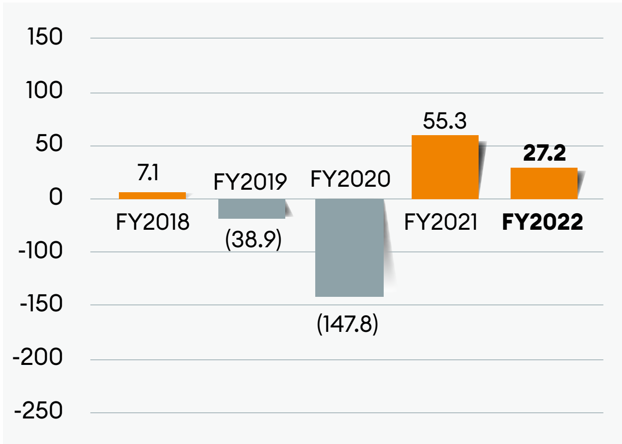
Gross Profit
RMB' million



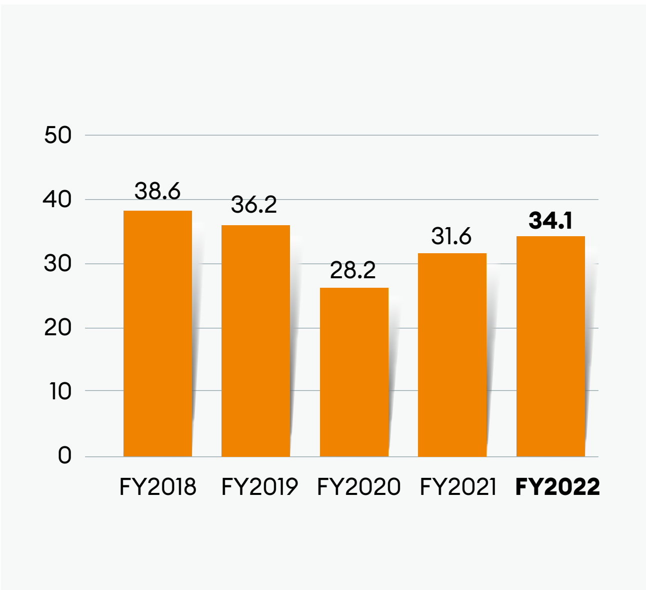
Profit / (Loss) from Operations
RMB' million



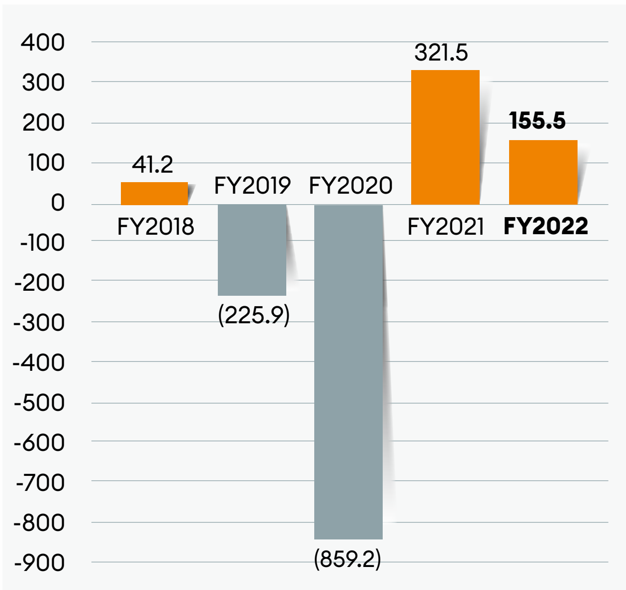
Net Profit / (Loss)
RMB' million



NAV Per Share
RMB



Earnings / (Loss) Per Share
RMB cents



GROUP **STRUCTURE**

3F ZIPPER

Fuxing China Group Limited
(Incorporated in Bermuda)

- **Jade Star Group Holdings Limited**
  (Incorporated in BVI)
  100%
  - **Jinjiang Fookhing Zipper Co., Ltd.**
    (Incorporated in the PRC)
    100%
  - **Fulong Zipper and Weaving Co., Ltd.**
    (Incorporated in the PRC)
    100%
  - **Jinjiang Fuxing Dress Co., Ltd.**
    (Incorporated in the PRC)
    100%
  - **Jinjiang Jianxin Weaving Co., Ltd.**
    (Incorporated in the PRC)
    100%
  - **Jinjiang Fuxin Electroplating Co., Ltd.**
    (Incorporated in the PRC)
    100%
  - **Fookhing Group Trading Co., Ltd.**
    (Incorporated in Hong Kong)
    100%
- **Fuxing China Group Limited**
  (Incorporated in the Hong Kong)
  100%
  - **Xiamen Fuxing Industrial Co., Ltd.**
    (Incorporated in the PRC)
    100%
    - **Xiamen Xinfuxing Property Management Co., Ltd.**
      (Incorporated in the PRC)
      80%

Dear Valued Shareholders,

On behalf of the Board of Directors, I hereby 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 2022 ("FY2022").

The Group achieved a profit of RMB27.2 million for the year on the back of RMB841.1 million in sales. The Group navigated the challenging cost pressures in a global inflationary environment and continued to turn in a profit with continual sales efforts to reach out to more customers and improvement in product quality through automation of its manufacturing process.

Review of Financial Performance

The Group's revenue increased by RMB78.6 million (or 10%) to RMB841.1 million. This was mainly due to the increase in the sales of the Zipper segment (RMB11.8 million), the Trading segment (RMB66.3 million) and the Processing segment (RMB0.5 million). The increase in revenue in the Zipper segment was mainly due to the increase in orders from new customers arising from the sales efforts of the sales department and the improvement in quality of the zippers after automation.

The Group's gross profit decreased by RMB14.3 million (or 20%) to RMB56.4 million, mainly due to the decrease in gross profit from the Zipper segment and Processing segment. Average gross profit margin decreased by 2.6 percentage point to 6.7% mainly due to the decrease in gross profit margin from the Zipper and Processing segments, arising from the increase in production costs such as higher depreciation charges and raw material costs.

Other income decreased by RMB9.6 million from RMB48.2 million in FY2021 to RMB38.6 million in FY2022 mainly due to lower reversal of loss allowance on trade receivables of RMB7.8 million in FY2022 as compared to RMB36.5 million in FY2021. The reversal of loss allowance on trade receivables arose upon receipt of full settlement of long overdue amounts owing from customers. The decrease was partially offset by the foreign exchange gain of RMB13.2 million in FY2022. 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.

Other expenses decreased by RMB2.8 million from RMB4.5 million in FY2021 to RMB1.7 million in FY2022. This was mainly due to foreign exchange loss of RMB4.1 million in FY2021 as compared to foreign exchange gain of RMB13.2 million in FY2022 which was recorded under other income as explained above.

Selling and distribution expenses increased by RMB1.1 million (or 14%) to RMB9.4 million mainly due to the increase in promotional expenses from roadshows conducted.

General and administrative expenses decreased by RMB2.9 million (or 6%) to RMB45.8 million. This was mainly due to the decrease in written off of property, plant and equipment in FY2022 as most of the obsolete machineries was written off in FY2021 after installing the automated machineries.

Financial costs increased by RMB1.7 million to RMB10.8 million. This was mainly due to the increase in the interest rate on the bank loans with Hong Kong bank.

Interest income decreased by RMB0.1 million (or 10%) to RMB1.1 million. This was mainly due to the decrease in cash and bank balances.

As a result of the above mentioned factors, the Group recorded a profit after tax of RMB27.2 million for the year.

CHAIRMAN'S **MESSAGE**

Review of Financial Position

As at 31 December 2022, non-current assets amounted to RMB399.0 million comprising property, plant and equipment, investment property and land use rights.

The Group's property, plant and equipment amounted to RMB336.2 million, an increase of 6% (or RMB18.4 million) compared to RMB317.8 million as at 31 December 2021. The increase was mainly due to the acquisition of automated plant and machineries in FY2022.

As at 31 December 2022, current assets amounted to RMB567.1 million, decreased by 4% (or RMB26.2 million) compared to RMB593.3 million as at 31 December 2021. This was largely due to the decrease in cash and bank balances and prepayments.

Inventories remained at the same level of approximately RMB52.3 million due to the 2-months raw materials production requirement maintained as at 31 December 2022 and 2021.

The decrease in prepayments from RMB122.0 million in FY2021 to RMB74.1 million in FY2022 was mainly due to reduction in advances to suppliers in FY2022 as compared to FY2021 due to the higher rate of conversion of the prepayments into raw materials usage in FY2022 as compared to FY2021.

Cash and bank balances decreased from RMB168.4 million in FY2021 to RMB154.1 million in FY2022 mainly due to the repayment of short-term bank loans in FY2022.

As at 31 December 2022, total current liabilities were RMB361.2 million, a decrease of 6% (or RMB24.5 million) compared to RMB385.6 million as at 31 December 2021. This was mainly attributable to the decrease in short-term bank loans.

The short-term bank loan decreased by RMB20.7 million (or 13%) to RMB136.8 million as at 31 December 2022 compared to RMB157.5 million as at 31 December 2021. This was mainly due to the repayment of bank loans in FY2022.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The increase in deferred tax liabilities was mainly due to the deferred income tax expense in FY2022.

Review of Cash Flows

Operating activities

Net cash flows generated from operating activities in FY2022 amounted to RMB52.1 million compared to RMB103.3 million in FY2021. The decrease was mainly due to the increase in trade and other receivables.

Investing activities

Net cash flows used in investing activities in FY2022 amounted to RMB32.4 million compared to RMB130.6 million in FY2021. The decrease was mainly due to the decrease in purchase of plant and machineries in FY2022.

Financing activities

Net cash flows used in financing activities in FY2022 amounted to RMB14.0 million compared to RMB13.6 million used in FY2021. This was mainly due to the higher repayments of short-term bank loans in FY2022.

Outlook

The Group expects the zipper industry in the PRC to remain highly challenging and competitive, and rising factory overheads and higher depreciation charges and labour costs will continue to exert downward pressures on the performance of the Group and its prospects in the near term. To mitigate the above mentioned cost pressures, the Group is in the process of automating its manufacturing process progressively. The automation will improve the quality of the zippers to enable the Group to secure more sales orders from new customer segments.

In Appreciation

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

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

Mr Hong Qing Liang
Executive Chairman
August 2023

SUSTAINABILITY **REPORT**

This is a summary of the Company's Sustainability Report for FY2022. The Company considers sustainability issues as part of its strategic formulation. It adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall strategy to ensure that the best interests of the Company are served. The Company is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in setting its business strategies and operations.

The ESG factors disclosed in our report are as follows:

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

More details and information are available in the full Sustainability Report that has already been published on 14 June 2023.

Mr Hong Qing Liang
Executive Chairman

Mr Hong Qing Liang is the Group's Co-Founder and Executive Chairman. He resigned as Chief Executive Officer on 1 January 2023 as part of succession planning. He was appointed to the Board on 19December 2006, and last re-elected on 30 June 2022. 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 Finance and Administration

Mr Hong Peng You is the Group's Director of Finance and Administration. Previously Director of Administration, he was re-designated to Director of Finance and Administration on 1 September 2022. He was appointed to the Board on 19 December 2006, and last re-elected on 3 June 2020. He is responsible for all finance and administration matters in the Group. 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 29 April 2021. Dr Ho is also an Independent Director of KOP Ltd, a company listed on the SGX-ST. Dr Ho retired as an Independent Director of Vicom Ltd on 29 April 2017. Dr Ho also served on Board of Superbowl Holdings Ltd and Brothers Holdings Ltd in 2011 and 2012, these companies were previously listed on the SGX-ST. Prior to that, Dr Ho served in various capacities in the Singapore government. His last appointment was Senior Parliamentary Secretary to the Minister for the Environment from 1994 to early 1997. From 1997 to 2003, Dr Ho was appointed the Principal of Nanyang Academy of Fine Arts (NAFA) where he was responsible for the promotion of arts education and the building of new NAFA campus. After he completed his mission at NAFA, he took on the position of Executive Director of NAFA International Pte. Ltd. from 2003 to 2005, where he coordinated the company's business expansion plans abroad. He graduated from Nanyang University, Singapore with a Bachelor of Science degree in 1963 and was conferred an honorary doctorate degree by Wisconsin International University, USA in 2001.

Present directorships in other listed companies / other Principal Commitments
- KOP Limited
- Director of Pioneer & Leaders (M) Sdn Bhd

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

BOARD OF **DIRECTORS**

Mr Lim Cheng Kee
Independent Director

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

Present directorships in other listed companies / other Principal Commitments

- Nil

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

- Nil

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 29 April 2021. Mr Qiu's present other principal commitment is the Vice General Manager of Xiamen Xiaxin Investment Group Co., Ltd, where he is responsible for the external investment as well as the management and supervision of the company's joint ventures. Prior to this, Mr Qiu served as Deputy General Manager for Shandong Weifang Yaxing Chemical Co., Ltd, a Shanghai Stock Exchange-listed company from 2006 to January 2009. Mr Qiu started his career as an accountant in the Fujian Foreign Trading Centre Holdings from July 1986 to January 1993. Subsequently, he joined Hong Kong Gainmen Development Co., Ltd as a Deputy Finance Manager till October 1996. From November 1996 to January 2003, Mr Qiu was the Finance Manager of Hong Kong Keen Yield International Investment Co.,Ltd. where he was responsible for the finance and business of relevant subsidiary companies. From February 2003 to February 2006, Mr Qiu was appointed the Departmental Head of Fujian Foreign Trading Centre Holdings where he was in charge of the import and export trading business of the company. Mr Qiu graduated from the University of International Business and Economics in PRC in July 1991 with an education certificate for foreign trade.

Present directorship in other listed companies / other Principal Commitments

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

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

- Nil

Mr Hong Shao Lin
Chief Executive Officer

Mr Hong Shao Lin is the Group's Chief Executive officer and was the General Manager of a subsidiary of the Group till 31 December 2022. Mr Hong joined a subsidiary of the 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. Mr Hong is the son of the Company's Executive Chairman, Mr Hong Qing Liang.

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

Mr Hong Shui Ku
Chief of Operations

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

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

Mr Ye Mu Gui
Production Manager

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

Mr Zhang Shang Lian
Sales and Marketing Manager

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

Mr Lei Zhen Min
Human Resource Manager

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

INTRODUCTION

The Board of Directors (the "Board") of Fuxing China Group Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the "Group"). This report describes the corporate governance practices of the Group for the financial year ended 31 December 2022 ("FY2022") with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "Code"). The Board is pleased to report that for FY2022, the Group has complied in all material aspects with the Code, save for deviations or areas of non-compliance which are explained under the respective sections.

The Board will review the corporate governance practices on an on-going basis for relevance and effectiveness with reference to the environment in which the Group operates.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

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

Directors' Fiduciary Duties and Conflicts of Interest (Provision 1.1)

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

Board Reserved Matters (Provision 1.3)

The Board has adopted internal control guidelines which provide that where appropriate, authority has been delegated 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 half-year and full-year results announcements, interested person transactions of a material nature and 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.

Delegation of Authority to Board Committees (Provision 1.4)

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

Board and Board Committees Meetings and Attendance (Provision 1.5)

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

The number of Board and Board Committees meetings as well as general meetings held during FY2022, and the attendance of Directors and key management personnel ("KMP") during these meetings, are as follows:

Meetings	Board	AC	NC	RC	Annual General Meeting[2]	Special General Meeting[3]
Total No. of Meetings held	**4**	**4**	**2**	**1**	**1**	**1**
Directors	**No. of Meetings attended**					
Hong Qing Liang	3	2[1]	2	1[1]	2	1
Hong Peng You	4	4[1]	1[1]	1[1]	2	1
Dr Hong Kah Leong	4	4	2	1	2	1
Lim Cheng Kee	4	4	2	1	2	1
Qiu Qing Yuan	4	3	2	1	2	1
KMP	**No. of Meetings attended**					
James Ma - Chief Financial Officer[4]	4[1]	4[1]	2[1]	1[1]	2	1

Notes:

(1) By invitation.
(2) Annual General Meeting held on 30 June 2022.
(3) Special General Meeting held on 21 September 2022.
(4) Resigned as Chief Financial Officer on 15 September 2022 and was re-designated to Director of Finance and Administration on the same day.

Access to Information (Provision 1.6)

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

Directors' Orientation, Induction, Training and Development (Provision 1.2)

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

In FY2022, the Board was briefed on updates on Listing Rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), changes to accounting standards and regulatory developments. The Board is also 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 the SGX-ST are also circulated to the Board for information.

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. Newly appointed Directors 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 be required to undergo mandatory training pursuant to Listing Rule 201(5)(a) of the SGX-ST on the roles and responsibilities of a listed company director. Newly appointed Non-Executive Directors are provided with a letter of appointment setting out their duties, obligations and terms of appointment. On the other hand, Executive Directors are provided with a service agreement setting out their terms of office and terms and conditions of their respective appointments. No new Director was appointed during the year under review.

Access to Management and Company Secretaries (Provision 1.7)

The Board has separate and independent access to Management, the Company Secretaries, External Auditors and external advisers as and when required to seek advices and obtain additional information to facilitate their decision making, at the expense of the Company.

BOARD COMPOSITION AND GUIDANCE

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

Independent Directors and Non-Executive Directors comprise a majority on the Board (Provisions 2.1 to 2.3)

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

The current composition of the Board is as follows:

Board	AC	NC	RC
Executive Directors			
Hong Qing Liang - Executive Chairman	–	Member	–
Hong Peng You	–	–	–
Independent Directors			
Dr Ho Kah Leong - Lead Independent Director	Member*	Member	Member
Lim Cheng Kee	Chairman*	Member	Chairman
Qiu Qing Yuan	Member	Chairman	Member

* Following the re-designation of Dr Ho Kah Leong as a member of the AC on 1 March 2022, Mr Lim Cheng Kee was appointed as Chairman of the AC with effect from 1 March 2022.

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

Having assessed the size and composition of the Board and Board Committees, the NC, with the concurrence of the Board, is of the view that the current size and composition of the Board is adequate, taking into account the scope of the Group's operations.

None of the Directors has an alternate Director. As a Director is expected to be able to commit time to the affairs of the Company, the NC will generally not support the appointment of an alternate Director.

The Board assesses the independence of Independent Directors in accordance with the requirements of the Code to ensure appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Group.

Under the Code, an independent director is one who is independent in conduct, character and judgment, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the company.

Board Composition and Diversity (Provision 2.4)

The Board endeavours to achieve the balance and diversity necessary to maximise its effectiveness as part of its Board diversity policy which endorses the principle that its Board should have the balance of skills, knowledge, experience and other aspects of diversity that support the Company in the pursuit of its strategic and business objectives, and its sustainable development. The policy seeks to promote the inclusion of different perspectives, ideas and insights and ensure that the Company can benefit from all available sources of talent.

In determining the optimum composition and size of the Board and each Board committee, the Board diversity policy provides for the NC to consider a combination of factors such as skills, knowledge, professional experience, educational background, gender, age, and length of service. The skills, knowledge and experience to be considered include accounting and finance, business and management experience, industry knowledge, strategic planning experience, human resource management, industry's customer-based marketing and manufacturing combined.

Suitable candidates will then be identified, including through external search firms. External search firms that are engaged, are instructed that diversity is a key criterion in the search and in particular, gender diversity. Female candidates are therefore required to be included for consideration.

Following its assessment of the candidates, the NC will then interview the short-listed candidates. The NC will thereafter make its recommendations to the Board including appointments to the appropriate Board committees after matching the candidates' skills-set to the needs of each Board committee. The Board, taking into account the views of the NC, will consider if its Directors meet the criteria under its Board diversity policy and possess the necessary competencies to govern the Company effectively.

In terms of gender representation, the current Board consists of five men, or is 100% male, and, as among the Independent Directors, the female gender representation is 0%. To date, the Board has not found a suitable female candidate to be appointed as a Director of the Company and the Board will continue to look for a suitable female candidate to meet the Board diversity requirement and aims to achieve this by the financial year ending 31 December 2025.

The Board also recognises that gender diversity is only one aspect of Board diversity. In terms of qualifications and competencies, members of the Board include seasoned professionals in business and management and strategic planning. The Board believes that its members' different backgrounds, experience, age, gender, tenure of service, and skill sets provide a diversity of perspectives which contribute to the quality of its decision-making. The profiles of the Directors are on pages 9 to 10 of the Annual Report.

The Company remains committed to implementing its Board diversity policy and any further progress made towards the implementation of such policy will be disclosed in future Corporate Governance Reports, as appropriate.

Meeting of Independent Directors without Management (Provision 2.5)

The Independent Directors, led by Dr Ho Kah Leong, the Lead Independent Director, meet without the presence of Management as and when the circumstances warrant. In FY2022, the Independent Directors met regularly (without the presence of Management) both formally and informally, to discuss the remuneration packages and incentives for the Executive Directors and KMP, feedback from the External Auditors and other matters. The Lead Independent Director will provide feedback and recommendations arising from these meetings to the Board and Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Chairman and Chief Executive Officer ("CEO") (Provision 3.1)

During FY2022, the roles of Chairman and CEO were held by Mr Hong Qing Liang. As part of succession planning, Mr Hong Qing Liang resigned as the CEO effective 1 January 2023. Mr Hong Qing Liang's son, Mr Hong Shao Lin who joined the Group in 2009 as executive and subsequently rose through the ranks to be general manager of one of the Group's subsidiaries, was appointed as the CEO on 1 January 2023. Mr Hong Qing Liang remains as the Executive Chairman as his valuable business insights and experience are still much valued.

Although this is a deviation from the recommendation of the Code, the Board believes that vesting the roles of both Chairman and CEO during FY2022 in the same person who was knowledgeable in the business of the Group provided the Group with strong and consistent leadership and allowed for more effective planning and the execution of long-term business strategies.

All major decisions made by Mr Hong Qing Liang as the Executive Chairman and CEO during FY2022 were reviewed by the Board. His performance and appointment to the Board were reviewed by the NC and his remuneration package were reviewed by the RC. Both the NC and the RC are chaired by Independent Directors. The Board believed that there were adequate safeguards and checks in place to ensure that the decision-making process by the Board was independent and based on the collective decision-making of the Directors without Mr Hong Qing Liang being able to exercise considerable concentration of power or influence.

Roles of Chairman and CEO (Provision 3.2)

As the Executive Chairman of the Board, Mr Hong Qing Liang bears responsibility for the effective workings of the Board. He ensures that Board meetings are held when necessary and sets the Board meeting agenda. The Executive Chairman reviews all Board papers before they are presented to the Board and ensures that procedures are in place to provide Directors with timely and comprehensive analyses necessary for exercising informed judgement and decisions. Management staff who have prepared the papers, or who can provide additional insight in the matters to be discussed, are sometimes invited to attend and present the papers at the Board meeting. The Executive Chairman also ensures that the members of the Board work together with the management team, and have the capability and moral authority to engage Management in constructive debate on various matters, including strategic issues and business planning processes. The day-to-day management functions are performed by senior Management, headed by the CEO.

As the CEO, Mr Hong Shao Lin is responsible for the day-to-day management affairs and business operations of the Group. He also ensures that all corporate policies are properly complied with.

Appointment of Lead Independent Director (Provision 3.3)

Dr Ho Kah Leong is the Lead Independent Director and is available to shareholders where they have concerns or issues that are not appropriately dealt with by the Chairman or the CEO. A separate email account has been set up for Dr Ho Kah Leong for the purpose of communication with the shareholders. Shareholders may contact the Lead Independent Director at drhokahleong@3fzipper.com when they have concerns which contact through the normal channels of the Executive Directors has failed to resolve or for which such contact is inappropriate.

BOARD MEMBERSHIP

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

Composition of the Nominating Committee (Provision 4.2)

The NC comprises four (4) members, a majority of whom, including the NC Chairman, are Independent Directors. The Lead Independent Director, Dr Ho Kah Leong, is a member of the NC.

The members of the NC are:

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

Role and Responsibilities of the Nominating Committee (Provision 4.1)

The principal duties and responsibilities of the NC as provided in its TOR are as follows:

(a) reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;

(b) identifying and nominating candidates to fill Board vacancies as they occur;

(c) recommending membership of the Board Committees to the Board;

(d) determining annually the independence of the Directors, bearing in mind the circumstances set forth in the Code, Listing Rules of the SGX-ST and any other salient factors;

(e) evaluating Board's performance as a whole, Board Committees and individual Directors;

(f) making recommendations to the Board on all Board appointments, re-appointments and re-elections to the Board (including alternate director, if any), depending on the Director's performance, commitment and his/her ability to continue contributing to the Board;

(g) reviewing and evaluating whether a Director is able to and has been adequately carrying out his duties as a Director, particularly, when he has multiple board representations;

(h) overseeing induction, orientation, training and professional development programmes for the Board and its Directors;

(i) reviewing and ensuring there is clear division of responsibilities between the Chairman and CEO;

(j) reviewing succession plans for the directors, in particular the appointment and/or replacement of the Chairman, the CEO and KMP; and

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

For FY2022, the NC reviewed the Board composition, determined the independence of Directors, conducted Board, Board Committees' and Individual Directors' performance evaluation, reviewed Directors' commitments when they have multiple board representations and succession planning for the Chairman and CEO.

Process for selection, appointment and re-appointment of Directors (Provision 4.3)

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 fulfil its responsibilities. External professional help or tagging on the Directors' network may be used to source for potential candidates. The curriculum vitae and other particulars or documents of the nominee or candidate will be given to NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his or her qualifications, business and related experience, commitment, ability to contribute 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.

Determining Directors' Independence (Provision 4.4)

The independence of each Director is reviewed annually by the NC with the recommendations set out in the Code and the Listing Rules of the SGX-ST. The NC also reviewed the independence of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan, who had each served the Board for more than nine (9) years from the date of their first appointment.

Having conducted rigorous review, the NC considered Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan to be independent after having determined that they have no relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company. Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan have throughout their appointment, demonstrated strong independence in character and judgment in the discharge of their duties and responsibilities as directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively challenged Management on business decisions with a view to the best interests of the Group.

Having considered the above, the NC has determined that the tenure of each of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan's has not affected their independence and judgment in discharging their duties as a member of the Board. The NC has recommended to the Board that Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan continue to be considered as independent, notwithstanding they have served on the Board for more than nine (9) years since their first appointment. The Board concurred with NC's assessment. The independence of Dr Ho Kah Leong and Mr Qiu Qing Yuan had been tabled and approved at the last annual general meeting of the Company held on 29 April 2021 under the two-tier voting pursuant to Listing Rule 210(5)(d)(iii) of the SGX-ST.

The Singapore Exchange Regulation ("SGX RegCo") had on 11 January 2023 (the "Announcement") announced, among others, that the tenure of independent directors serving on the boards of listed companies shall be limited to nine (9) years. As a transitional measure, independent directors whose tenure exceed the nine-year limit can continue to be deemed independent until the company's AGM held for the financial year ending on or after 31 December 2023.

As at the date of this annual report, Dr Ho Kah Leong, Mr Qiu Qing Yuan and Mr Lim Cheng Kee had served on the Board beyond nine years since the date of their respective first appointments. Pursuant to the Announcement, each of Dr Ho Kah Leong, Mr Qiu Qing Yuan and Mr Lim Cheng Kee may remain as an Independent Director until the earlier of his retirement or resignation as a Director or at the conclusion of the AGM to be held in 2024.

The Board and the NC shall endeavour to search for suitable candidates to be appointed to the Board to ensure compliance with the applicable laws, Listing Rules of the SGX-ST and the Code. The Board will make appropriate announcements to update shareholders in due course.

In its annual review of the independence of the Directors, the NC has determined that each of Dr Ho Kah Leong, Mr Qiu Qing Yuan and Mr Lim Cheng Kee is independent in conduct, character and judgement, and that there are no relationships or circumstances which could or are likely to affect his judgement and ability to discharge his responsibilities as an independent Director.

Each of the Independent Directors abstained from discussion and voting in respect of his independence.

Directors' other directorships and principal commitments (Provision 4.5)

Pursuant to its TOR, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations. In view of this, the NC having considered the confirmations received from Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan, concluded that such multiple Board representations do not hinder each Director from carrying out his duties as a Director of the Company.

In consultation with the NC, the Board has prescribed that each Independent Director should not hold more than five (5) directorships in other public listed companies. The NC had reviewed and was satisfied that no Independent Director had exceeded the maximum limit of listed company board representations in FY2022 and that each Director had given sufficient time and attention to the affairs of the Group and has been able to diligently discharged his duties as a Director of the Company.

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

Mr Lim Cheng Kee will be retiring by rotation pursuant to the Company's Bye-Law 86 at the forthcoming AGM and being eligible, will be offering himself for re-election. Mr Lim Cheng Kee has signified his consent for re-election.

Information regarding Mr Lim Cheng Kee, who has been nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Rules of the SGX-ST is given under pages 33 to 35 of the Annual Report.

BOARD PERFORMANCE

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

Assessing the effectiveness of the Board, Board Committees and Individual Directors (Provisions 5.1 and 5.2)

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

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

Individual Directors' assessment was also conducted in FY2022 whereby each Director was evaluated on his contributions to the Board, initiative, knowledge of senior management's job scope and Group's business, leadership and the support that he lends to Management in steering the Group.

For FY2022, the performance evaluation of the Board, Board Committees and Individual Directors was carried out in February 2023. Following the review of the assessment, the NC was generally satisfied with the Board, Board Committees and Individual Directors performance evaluation results which indicated areas of strengths and those that could be improved further. No significant issues had been identified. The NC had discussed the results with Board members who agreed to work on area that could be improved further.

The NC did not engage any external facilitator to assist in the annual performance evaluation exercise for FY2022.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Composition of the Remuneration Committee (Provision 6.2)

The RC comprises the following three (3) Independent Directors:

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

Role and responsibilities of the Remuneration Committee (Provision 6.1)

The principal duties and responsibilities of the RC as provided in its TOR are as follows:

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

- each Director and KMP of the Group;
- employees related to Directors, CEO or controlling shareholders of the Group;
- reviewing Directors' fees, which are subject to shareholders' approval at the AGM; and
- the service contracts of the CEO and Executive Directors. In the event of termination of Executive Directors and KMP's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

(b) reviewing all aspects of remuneration, including terminating terms, to ensure they are fair;

(c) recommending to the Board long-term initiative schemes which may be set up from time to time; and

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

Remuneration Framework (Provision 6.3)

There is a formal and transparent process for developing executive remuneration and for determining the remuneration packages of individual Directors. No Director is involved in determining his own remuneration.

The RC reviews all matters concerning the remuneration of the Non-Executive Directors to ensure that remuneration commensurate with their contributions, responsibilities and market benchmarks.

None of the Independent Directors has service contracts or consultancy arrangements with the Company. They are paid Directors' fees based on a structured fee framework reflecting the responsibilities and time commitment of each Director.

The annual quantum of Directors' fees to be paid is also reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

The RC also reviews the remuneration packages of the Executive Directors and KMP and submits its recommendations to the Board for endorsement. The RC will look at the total remuneration provided which comprises annual fixed salary and variable salary component. The variable salary component is in the form of a variable bonus that is linked to the performance of the Group and the individual's performance.

The RC also reviews the Company's obligations under the service agreements of the Executive Directors and KMP that would arise in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses.

The RC sets the remuneration guidelines for the Group for each annual period including annual increments, total incentives for distribution to staff of all grades and structuring long-term incentive plans, if applicable.

RC access to expert professional advice (Provision 6.4)

The RC has access to expert professional advice if there is a need to consult externally taking in consideration of the industry's practices and norms in determining compensation. No external consultant was engaged in FY2022.

LEVEL AND MIX OF REMUNERATION

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

Remuneration of Executive Directors and KMP (Provisions 7.1 and 7.3)

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

The Executive Directors' respective service agreements detailed his remuneration packages as well as an automatic one-year renewal clause (unless otherwise terminated by either party giving not less than three (3) months' notice to the other). The performance bonus of the Executive Directors is linked to the Group's performance which will be reviewed by the RC before submission to the Board for approval. As the Executive Directors are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, there are no provisions in their service agreements. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

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

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

Remuneration of Independent Directors/Non-Executive Directors (Provision 7.2)

The RC is mindful that remuneration for the Independent Directors should not be excessive, as it may otherwise compromise or reasonably be perceived to compromise, the independence of the Independent Directors. After taking into account factors such as effort and time spent and their role and responsibilities, the RC, with the concurrence of the Board, is of the view that the current remuneration of the Independent Directors is appropriate to their level of contributions, and would not compromise their independence.

Directors' Fees

The RC has recommended to the Board the payment of Directors' fees amounting to S$115,230 for financial year ending 31 December 2023 ("FY2023") (2022: S$104,756), payable half-yearly in arrears.

The recommendation will be tabled at the forthcoming AGM for shareholders' approval. Each of the Directors has abstained from voting in respect of their own remuneration. The RC members has also abstained from deliberation and voting in respect of their own remuneration.

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

DISCLOSURE ON REMUNERATION

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

Disclosure of the remuneration of Directors and KMP (Provisions 8.1 and 8.3)

The breakdown of each individual Director's remuneration for FY2022 is as follows:

Name of Directors	Salary	Bonus	Director's fees	Other benefits	Total	Total remuneration (S$'000)
Below S$250,000						
Hong Qing Liang	98%	–	2%	–	100%	206
Hong Peng You[(1)]	86%	–	14%	–	100%	29
Dr Ho Kah Leong	–	–	100%	–	100%	36
Lim Cheng Kee	–	–	100%	–	100%	38
Qiu Qing Yuan	–	–	100%	–	100%	21

Note:

(1) Mr Hong Peng You was re-designated to Director of Finance and Administration on 1 September 2022.

Details of remuneration paid to top five (5) KMP of the Group (who are not Directors or the CEO) for FY2022 are set out below:

Name of KMP	Salary	Bonus	Other benefits	Total
Below S$250,000				
James Ma - Chief Financial Officer[(1)] - Assistant to Director of Finance and Administration[(1)]	100%	–	–	100%
Hong Shao Lin - General Manager	100%	–	–	100%
Ye Mu Gui - Production Manager	100%	–	–	100%
Zhang Shang Lian - Sales and Marketing Manager	100%	–	–	100%
Lei Zhen Min - Human Resource Manager	100%	–	–	100%

Note:

(1) Mr James Ma resigned as CFO and was re-designated to Director of Finance and Administration on 15 September 2022.

The aggregate remuneration paid to the top five (5) KMP (who are not Directors or the CEO) for FY2022 amounted to S$303,954.

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

In view of the commercial sensitivity and confidential nature of remuneration matters, the Board opined that it is in the best interest of the Group not to disclose the exact remuneration of KMP, and disclosure in bands of S$250,000 provides a good overview and is informative of the remuneration of the KMP.

Taking into account the disclosure of the exact remuneration of the Directors and the aggregate remuneration paid to KMP, the Board has determined that there is sufficient transparency and information on the remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8 of the Code.

Disclosure of the remuneration of employees who are substantial shareholders of the Company, immediate family members of a Director, the CEO or a substantial shareholder of the Company (Provision 8.2)

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

(i) Mr Hong Shao Lin, son of Mr Hong Qing Liang (Chairman of the Board, and CEO of the Company till 31 December 2022), who is employed as a General Manager of Jinjiang Fookhing Zipper Co. Ltd, a subsidiary of the Group;

(ii) Ms Hong Yan Ru, daughter of Mr Hong Qing Liang, who is employed as an Investment Manager of the Group; and

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

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

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Design, implementation and monitoring of risk management and internal control systems and formation of a Board Risk Committee to address significant risks (Provision 9.1)

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

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

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

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

For FY2022, the Group's Internal Auditors were also engaged to review the Group's business and operational activities and identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. On an annual basis, the Internal Auditors' report and the risk management report are presented to the AC on significant matters arising from the said review and counter measures to mitigate the identified risks potential risks. There were no material deficiencies arising from the review.

Written assurance on adequacy and effectiveness of internal controls (Provision 9.2)

The Board has received written assurance from:

(a) the CEO and Finance Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

AUDIT COMMITTEE

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

Composition of the Audit Committee (Provision 10.2)

The AC comprises the following three (3) Independent Directors:

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

Expertise of AC members

The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. A majority of the AC members bring with them recent and relevant accounting or related financial management expertise or experience, which are appropriately qualified to discharge its duties objectively. Reasonable resources have been made available to the AC to enable them to discharge their duties. The AC members also take measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements through attendance at trainings and updates by professionals and the Company's External Auditors.

Former partner or Director of the Company's existing auditing firm (Provision 10.3)

In compliance with the Code, none of the AC members was a former partner of the Company's existing External Auditors within the previous two years or has any financial interest in the firm.

Duties of AC and activities of the AC (Provision 10.1)

The AC met four (4) times in FY2022, and as and when deem appropriate, to carry out its principal functions as provided in its TOR:

(a) reviews the half year and full year financial statements of the Group before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with statutory and regulatory requirements;

(b) reviews with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulation, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's responses thereto;

(c) reviews and approves the internal and external audit plans and results of their audits and recommendations as well as Management's responses thereto;

(d) reviews the assistance given by Management to the Internal and External Auditors to facilitate their audits and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management at least once a year and where necessary);

(e) reviews and approves the appointment or re-appointment of Internal and External Auditors and matters relating to resignation or dismissal of the auditors;

(f) reviews interested person transactions;

(g) reviews annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors annually;

(h) reviews the effectiveness and adequacy of internal controls, including financial, operational, compliance and information technology controls and risk management system;

(i) ensures that arrangements are in place for staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or, other matters;

(j) reviews potential conflicts of interests, if any;

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

(l) meets with the External Auditors and Internal Auditors without the presence of Management to discuss the results of their findings and communicated with the internal auditors to discuss their evaluation of the Group's internal controls and risk management systems, set out in their respective reports;

(m) ascertains that both the Internal and External Auditors have had the full co-operation of Management in carrying out their audits of the Group;

(n) keeps abreast of accounting standards and issues that could potentially impact financial reporting through updates and advice from the External Auditors;

(o) ensures that Company had complied with Listing Rule 712 of the SGX-ST in relation to the appointment of a suitable auditing firm to meet its audit obligations. RT LLP, the appointed External Auditors of the Group, is registered with Accounting and Corporate Regulatory Authority and is a member of RT ASEAN.

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

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

(q) reviews interested person transactions;

(r) reviews the implementing process of the Company's sustainability report; and

(s) reviews the whistle-blowing policy.

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

Independence of External Auditors

Audit services rendered by the External Auditors amounted to S$320,000 for the FY2022 audit. In FY2022, the External Auditors was engaged to assist in drafting the Sustainability Report for S$20,000. Apart from the aforementioned, no other non-audit services were rendered by the External Auditors.

The AC has reviewed the non-audit services provided by the External Auditors and is satisfied with the independence of the External Auditors. The External Auditors have also affirmed their independence in this respect.

Key Audit Matters

In the review of the Group's FY2022 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 shareholders of the Company under "Key Audit Matters".

The AC had 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 and recommendation was made by the AC to the Board to approve the financial statements.

Whistleblowing Policy

The AC has also put in place a whistleblowing 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. Complaints or suspicion of impropriety can be made in the form of emails or telephone to the AC Chairman and the Finance Director.

The AC and the Finance Director who receive the report will assess the allegations to determine whether it warrants an investigation. Investigators will be designated by the AC Chairman. All reported whistleblowing incidents or concerns will be independently investigated and remedial actions will be taken to address the whistleblowing incidents. Identity of the whistleblower will be kept highly confidential. No disciplinary or personal action will be taken against the whistleblower for the allegations made in good faith and in absence of malice. There were no whistleblowing incidents received in FY2022.

Internal Audit (Provision 10.4)

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

The annual internal audit plan is prepared in consultation with, but independent of Management, and submitted to the AC for approval. The AC ensures that the internal audit function has appropriate standing within the Company. The internal auditor reports directly to the AC and the findings and recommendations made have been adequately followed through and implemented by Management in the financial year. The AC participates in and approves the hiring, removal, evaluation and compensation of the internal audit function. The internal auditor is given unfettered access to all company documents, records, properties and personnel, including access to the AC. The adequacy and effectiveness of the outsourced internal audit function is reviewed by the AC at least annually. In doing so, the AC takes into consideration the service level, attentiveness, professionalism and calibre of the assigned personnel who carried out the internal audit activities during the financial year. The AC is satisfied that the internal audit function is independent, adequately resourced and effective.

Meeting with External Auditor and Internal Auditor (Provision 10.5)

For FY2022, the AC met with the External and Internal Auditors without the presence of Management to discuss any issues they may have (including suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations) which has, or is likely to have, a material impact on the Group's operating results or financial position and Management's response thereof.

Both the External and Internal Auditors confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audit.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Participation of shareholders at general meetings (Provision 11.1)

In line with its continuing disclosure obligations, the Group is committed to maintaining regular and pro-active communication with shareholders.

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

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual report are announced within the mandatory period via SGXNet. The Company does not practice selective disclosure.

The Company's principal forum of dialogue with shareholders takes place at its general meetings. Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. The notice of AGM or Special General Meeting ("SGM") (as the case may be) is despatched to shareholders, together with explanatory notes, at least 14 or 21 days before the meeting (as the case may be). Each item under Special Business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolutions. At the shareholders' meetings, shareholders are given the opportunity to voice their views and seek clarification on issues relating to the business as outlined in the meeting agenda.

Separate resolutions at general meetings on each substantially separate issue (Provision 11.2)

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

Attendance at general meetings (Provision 11.3)

All Directors, including the Chairman of the Board and the respective Chairmen of AC, RC and NC, as well as External Auditors will endeavor to be present at the shareholders' meetings to address shareholders' queries on issues relevant to the Company and resolutions proposed at the AGMs. The Directors' attendances at general meetings of shareholders held in FY2022 are disclosed on page 13 of the Annual Report.

As a precautionary measure due to the COVID-19 situation in Singapore and in order to keep physical interactions and COVID-19 transmission risks to a minimum, the Company had convened and held its annual general meeting ("**AGM**") for FY2021 by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Temporary Measures Order**"). The alternative arrangements put in place for these general meetings included attendance at the relevant general meeting via electronic means where shareholders could observe and/or listen to the proceedings via live audio-visual webcast or live audio-only stream, submission of substantial and relevant questions to the Chairman of the Meeting in advance of, or live at the relevant general meeting, and voting by appointing the Chairman of the Meeting as proxy at the relevant general meeting.

In order to facilitate shareholders' votes and to allow shareholders to make an informed decision on the resolutions to be tabled at the relevant general meeting, the Company addressed all substantial and relevant questions received from shareholders in advance of the relevant general meeting (by the deadline announced by the Company for submission of questions in advance), by publishing its responses to such questions on the Company's website and on SGXNET before the deadline for the submission of proxy forms, in line with regulatory guidance.

On 15 December 2022, the Ministry of Law announced that the COVID-19 Temporary Measures Order will cease with effect from 1 July 2023. As Singapore has progressively transitioned towards living with COVID-19 and meetings can take place physically, the Company has planned for its upcoming AGM for FY2022 to be held in a wholly physical format. Shareholders (themselves or through duly appointed proxies) will be able to attend the upcoming AGM in person. The upcoming AGM will be held pursuant to the COVID-19 Temporary Measures Order, to facilitate change of the AGM format if necessitated by regulatory authorities at the relevant time. The Company's usual practice for the conduct of general meetings (that is, with in-person participation by shareholders) is otherwise set out below.

Absentia voting (Provision 11.4)

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

Minutes of general meetings (Provision 11.5)

The minutes of AGM for FY2022 will be published on SGXNet within one (1) month from the date of the meeting.

Dividend Policy (Provision 11.6)

The Company does not have a formal dividend policy. The Company takes into account the Group's operating results, financial position, working capital requirements and any other relevant considerations as the Board may deem appropriate. No dividend was proposed by the Board for FY2022 as the Company is in accumulated losses position and Management intends to conserve cash for its operational needs.

ENGAGEMENT WITH SHAREHOLDERS

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

Communication with shareholders (Provision 12.1)

The Company believes that a high standard of disclosure is key to good corporate governance. The Company endeavours to provide shareholders with fair, relevant, comprehensive and timely information regarding financial results and other material information relating to the Group.

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

During FY2022, information was communicated to the shareholders on a timely and non-selective basis through:

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

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

(c) annual reports; and

(d) notices and explanatory notes for shareholders' meetings.

Investor Relations (Provisions 12.2 and 12.3)

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

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

Material stakeholder groups (Provision 13.1)

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

Management of stakeholder relationships (Provision 13.2)

The Group engages with the key stakeholders through various means. Details of the approach to stakeholder engagement have been provided in the Company's Sustainability Report.

Corporate website to communicate and engage with stakeholders (Provision 13.3)

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

(F) DEALINGS IN SECURITIES

The Group has put in place 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 Listing Rule 1207(19) of the SGX-ST . The Company, Directors and Officers are prohibited from dealing in securities of the Company two (2) weeks before the release of the quarterly results (whether on a voluntary basis or if so required to do so under the relevant Listing Rules of the SGX-ST); otherwise, it will be at least one (1) month before the release of the Company's half-year and full-year results, and at all times if the Directors and Officers are in possession of unpublished material price-sensitive information and on short term considerations.

(G) INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has established procedures to ensure that IPTs are reported in a timely manner to the AC 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 Rules of the SGX-ST and no announcement or shareholders' approval was therefore required.

(H) MATERIAL CONTRACTS

Save for the Service Agreements entered into with the Executive Directors, there was no material contract entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder of the Company for FY2022.

Information on Director nominated for re-election/re-appointment – Appendix 7.4.1 of the Listing Rules of the SGX-ST

Name of Director	Mr Lim Cheng Kee ("Mr Lim")
Date of Appointment	23 May 2014
Date of last re-Appointment (if applicable)	3 June 2020
Age	73
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The re-election of Mr Lim as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Lim'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	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Audit Committee Chairman of the Remuneration Committee and a member of the Nominating Committee.
Professional qualifications	• Bachelor of Commerce (Accountancy) from the former Nanyang Universiy in 1978 • Fellow of the Institute of Chartered Accountants of Singapore
Working experience and occupation(s) during the past 10 years	1. Independent Director of Fuxing China Group Limited since 23 May 2014. 2. Adviser of Westgasoil Pte Ltd from 2018 to 2021. 3. Independent Director of Fujian Zhenyuan Plastics Industry Limited from 21 April 2011 to 20 April 2017. 4. Independent Non-Executive Director of P99 Holdings Limited from August 2008 to October 2017.
Shareholding interest in the listed issuer and its subsidiaries	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
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	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) of the SGX-ST	
Past (for the last 5 years)	Nil
Present	Nil

Information required **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**
(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 Lim has 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 Mr Lim as this is a re-election/re-appointment of director.**

FINANCIAL **STATEMENTS**

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The directors of the Company are pleased to present the accompanying audited consolidated financial statements of Fuxing China Group Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

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 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Hong Qing Liang	Executive Chairman
Hong Peng You	Executive Director
Ho Kah Leong	Lead Independent and Non-Executive Director
Lim Cheng Kee	Independent and Non-Executive Director
Qiu Qing Yuan	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 5 below.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in shares or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 (the "Act") except as follows:

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

4. Directors' interests in shares or debentures (cont'd)

The directors' interests as at 21 January 2023 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2022.

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:

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

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

The Audit Committee carried out its below functions:

(i) reviewed the audit plan and results of the external audit, the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) reviewed the Group's quarterly and annual financial statements and the external auditor's report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) reviewed the half-yearly and annual announcements on the results of the Group and financial position of the Group and of the Company;

(v) reviewed and assessed the adequacy of the Group's risk management processes;

(vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) reviewed interested person transactions in accordance with SGX listing rules;

(viii) reviewed the nomination of external auditors and approval of their compensation; and

(ix) submitted report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

6. Audit Committee (cont'd)

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.

7. Independent auditor

RT LLP has expressed willingness to accept re-appointment.

On behalf of the board of directors

Hong Qing Liang	**Hong Peng You**
Director	Director

Singapore
11 August 2023

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 2022, 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of 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 the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial 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 Auditor's 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.

Report on the Audit of Financial Statements (Cont'd)

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Allowance for receivables	
As stated in Note 19, the carrying amount of the trade and other receivables as at 31 December 2022 is RMB 286,530,000 (FY2021: RMB 250,747,000). With reference to SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9"), the Group adopts a simplified approach for the recognition of the loss allowance for trade and bill receivables, which are carried at amortised cost, at an amount equal to lifetime expected credit losses ("ECL") and has also used the practical expedient permitted in SFRS(I) 9 in the form of a provision matrix. For other receivables which are carried at amortised cost, the Group recognises the loss allowance at an amount equal to 12-month expected credit losses where there is no significant increase in credit risk since initial recognition. In the event that the credit risk is assessed to have increased significantly since initial recognition, the Group recognises the loss allowance of such other receivables at an amount equal to lifetime ECL. The assessment of the credit risk and the measurement of ECL require the use of significant judgement and estimates. Any impairment losses or gains resulting from the recognition or reversal of ECL are recognised in profit or loss as an adjustment to the loss allowance at the reporting date.	We consider the audit of allowance for receivables to be a key audit matter due to the significant management judgement involved. Our audit focused on evaluating the key assumptions, judgements and estimations used by management in conducting the impairment review of the trade and other receivables. Our audit procedures included but were not limited to the following: 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 to measure the ECL by comparing to historical credit loss rates, and reviewed data and information used by the management, including the consideration of forward-looking information based on specific economic data; • the arithmetic accuracy of management's computation of ECL; • the debtor ageing analysis and verified to subsequent receipts from major debtors; and • documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable.

Report on the Audit of Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit
Advances from customers As stated in Note 26, the carrying amount of the advances from customers as at 31 December 2022 is RMB 23,735,000 (FY2021: RMB 33,844,000). The Group typically necessitate upfront payments from customers before fulfilling contractual performance obligations within the scope of the ordinary business operations.	We consider the audit of advances from customers to be a key audit matter due to the magnitude of the amount recognised in the financial statements. Our audit procedures included, and were not limited to the following: • Sighted to the customer contracts and records of payment received; • Sighted to the sales invoices for proper offset of revenue against advances from customers; • Obtained confirmations from the customers to confirm the balance of advances from customers as at 31 December 2022; and • Performed cut-off testing to ensure advances received from customers are recorded in the correct period.

Report on the Audit of Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit
Impairment assessment of property, plant and equipment and land use rights	
As stated in Note 13 and Note 15, the Group has property, plant and equipment and land use rights with carrying amounts of RMB 336,219,000 and RMB 24,217,000 respectively.	We consider the audit of the impairment assessment of property, plant and equipment and land use rights to be a key audit matter due to the significant management's expert judgement involved.
SFRS(I) 1-36 *Impairment of Assets* requires that when there is any indication of impairment, the reporting entity shall estimate the recoverable amount of that asset.	Our audit focused on evaluating the key assumptions, judgements and estimations used by management's expert in conducting the valuation and impairment review of the property, plant and equipment and land use rights. Our audit procedures included but were not limited to the following:
During the current financial year, management performed an impairment test for the property, plant and equipment and land use rights. The recoverable amount is defined as the higher of the asset's fair value ("FV") less cost of disposal and its value in use ("VIU").	• Inquired of management on the existence of any indicators of impairment by considering the market condition, operational and funding liquidity, mitigating factors, management information and forecasting, sensitivities and stress testing in view of the current environment.
These property, plant and equipment and land use rights are stated at their fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodologies to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied and a small change in the assumptions can have a significant impact to the valuation.	• Evaluated management's estimation of the recoverable amounts of property, plant and equipment and land use rights, we assessed the reasonableness of management's key assumptions underlying the fair value less cost of disposal or value-in-use calculations.
During the financial year, the Group made no impairment loss on its property, plant and equipment and land use rights.	• Assessed the competencies and objectivities of the management's expert.

Report on the Audit of Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit
Valuation of investment property	
As stated in Note 14, the Group has investment property with carrying amount of RMB 38,600,000. The investment property is stated at the fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodologies to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied and a small change in the assumptions can have a significant impact to the valuation. During the financial year, no change to the fair value of the investment property from the prior year.	We consider the audit of the valuation of investment property to be a key audit matter due to the significant management's expert judgement involved. Our audit focused on evaluating the key assumptions, judgements and estimations used by management's expert in conducting the valuation of the investment property. Our audit procedures included but were not limited to the following: • Assessed the competencies and objectivities of the management's expert. • Assessed the appropriateness of the valuation techniques and basis for the significant assumptions and estimates used, including key valuation adjustments made by the management's expert in response to the changes in market and economic conditions. • Evaluated the adequacy of the related disclosures in the financial statements relating to the investment property.

Report on the Audit of Financial Statements (Cont'd)

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 auditor's 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 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, 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.

Other matter

The financial statements for the financial year ended 31 December 2021 were audited by another firm of auditors who expressed an unqualified opinion on those financial statements in their report dated 6 June 2022.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

To the Members of Fuxing China Group Limited

Report on the Audit of Financial Statements (Cont'd)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

Report on the Audit of Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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 auditor's 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 auditor's report is Mr. Kenneth Ng Boon Chong.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
11 August 2023

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the financial year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	841,133	762,572
Cost of sales		(784,740)	(691,887)
Gross profit		56,393	70,685
Other items of income			
Other income	5	38,612	48,189
Interest income	6	1,100	1,226
Other items of expenses			
Marketing and distribution expenses		(9,400)	(8,276)
Administrative expenses		(45,826)	(48,742)
Other expenses	7	(1,671)	(4,481)
Financial costs	6	(10,800)	(9,118)
Profit before income tax	8	28,408	49,483
Income tax (expense)/credit	11	(1,229)	5,841
Profit for the year		27,179	55,324
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(11,281)	3,736
Total comprehensive income for the year attributable to owners of the Company		15,898	59,060
Profit attributable to:			
Owners of the Company		26,623	55,747
Non-controlling interests		556	(423)
		27,179	55,324
Total comprehensive income attributable to:			
Owners of the Company		15,342	59,483
Non-controlling interests		556	(423)
		15,898	59,060
Earnings per share attributable to owners of the Company (RMB per share)			
Basic and diluted	12	1.55	3.24

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

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2022

	Note	Group 2022 RMB'000	Group 2021 RMB'000 (restated)	Group 2020 RMB'000 (restated)	Company 2022 RMB'000	Company 2021 RMB'000
Assets						
Non-current assets						
Property, plant and equipment	13	336,219	317,772	211,073	–	–
Investment property	14	38,600	38,600	38,600	–	–
Land use rights	15	24,217	25,122	26,027	–	–
Investment in subsidiaries	17	–	–	–	344,853	344,853
		399,036	381,494	275,700	344,853	344,853
Current assets						
Inventories	18	52,387	52,291	36,157	–	–
Trade and other receivables	19	286,530	250,747	239,361	253,102	250,685
Prepayments	20	74,146	121,951	131,686	–	–
Cash and short-term deposits	21	154,079	168,370	197,272	1,570	1,623
Assets held for sale	22	–	–	1,770	–	–
		567,142	593,359	606,246	254,672	252,308
Total assets		966,178	974,853	881,946	599,525	597,161
Equity and liabilities						
Equity attributable to owners of the Company						
Share capital	23	772,574	772,574	772,574	772,574	772,574
Treasury shares	23	(6,408)	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	24	67,130	67,008	66,557	–	–
Capital reserve	24	39,573	39,573	39,573	39,573	39,573
Restructuring reserve	24	(117,878)	(117,878)	(117,878)	–	–
Foreign currency translation reserve	24	(8,430)	2,851	(885)	–	–
Accumulated losses		(160,721)	(187,222)	(242,518)	(209,820)	(216,579)
Total equity attributable to owners of the Company		585,840	570,498	511,015	595,919	589,160
Non-controlling interests		363	26	449	–	–
Total equity		586,203	570,524	511,464	595,919	589,160
Current liabilities						
Trade and other payables	25	138,761	138,983	119,631	2,466	7,102
Other liabilities	26	81,262	85,306	78,763	1,140	899
Loans and borrowings	27	136,800	157,497	149,710	–	–
Income tax payable		4,329	3,826	4,086	–	–
		361,152	385,612	352,190	3,606	8,001
Non-current liability						
Deferred tax liabilities	28	18,823	18,717	18,292	–	–
Total liabilities		379,975	404,329	370,482	3,606	8,001
Total equity and liabilities		966,178	974,853	881,946	599,525	597,161

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 2022

2022	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 2022 (restated)	772,574	(6,408)	67,008	39,573	(117,878)	2,851	(187,222)	570,498	26	570,524
Profit for the year	–	–	–	–	–	–	26,623	26,623	556	27,179
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	–	–	(11,281)	–	(11,281)	–	(11,281)
Total comprehensive income for the year	–	–	–	–	–	(11,281)	26,623	15,342	556	15,898
Contribution by and distributions to owners										
Appropriation to reserve fund	–	–	122	–	–	–	(122)	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	(219)	(219)
Balance at 31 December 2022	772,574	(6,408)	67,130	39,573	(117,878)	(8,430)	(160,721)	585,840	363	586,203

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

2021	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 2021 (restated)	772,574	(6,408)	66,557	39,573	(117,878)	(885)	(242,518)	511,015	449	511,464
Profit for the year	–	–	–	–	–	–	55,747	55,747	(423)	55,324
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	–	–	3,736	–	3,736	–	3,736
Total comprehensive income for the year	–	–	–	–	–	3,736	55,747	59,483	(423)	59,060
Contribution by and distributions to Owners										
Appropriation to reserve fund	–	–	451	–	–	–	(451)	–	–	–
Balance at 31 December 2021 (restated)	772,574	(6,408)	67,008	39,573	(117,878)	2,851	(187,222)	570,498	26	570,524

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 2022

	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 2021	772,574	(6,408)	39,573	(280,992)	524,747
Profit for the year, representing total comprehensive income for the year	–	–	–	64,413	64,413
Balance at 31 December 2021	772,574	(6,408)	39,573	(216,579)	589,160
Profit for the year, representing total comprehensive income for the year	–	–	–	6,759	6,759
Balance at 31 December 2022	772,574	(6,408)	39,573	(209,820)	595,919

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 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before income tax		28,408	49,483
Adjustments for:			
Depreciation of property, plant and equipment	13	40,835	34,416
Amortisation of land use rights	15	905	905
Write off of property, plant and equipment	13	215	3,610
Loss on disposal of property, plant and equipment	7	1,393	–
Loss on disposal of assets held for sale	7	–	132
Reversal of impairment loss on trade receivables, net	31	(7,828)	(36,504)
Reversal of impairment loss on advance to suppliers, net	31	(1,548)	(537)
Allowance for obsolescence and slow-moving stocks	8	1,861	578
Net write back of social security contribution	8	(4,487)	(1,562)
Interest expense	6	10,800	9,118
Interest income	6	(1,100)	(1,226)
Foreign currency (gain)/loss		(11,281)	3,736
Total adjustments		29,765	12,666
Operating cash flows before changes in working capital		58,173	62,149
Changes in working capital:			
Inventories		(1,956)	(16,712)
Trade and other receivables		(27,954)	25,118
Prepayments		21,939	(1,024)
Trade and other payables		2,074	19,663
Other liabilities		443	8,105
Total changes in working capital		(5,454)	35,150
Cash flows generated from operations		52,719	97,299
Income taxes (paid)/refund		(620)	6,006
Net cash flows generated from operating activities		**52,099**	**103,305**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(37,603)	(133,429)
Proceeds from disposal of assets held for sale		4,127	1,638
Interest received		1,100	1,226
Net cash flows used in investing activities		**(32,376)**	**(130,565)**
Cash flows from financing activities			
Dividends paid to non-controlling interests of a subsidiary		(219)	–
Repayment of director's loan		(2,298)	(311)
Proceeds from loans and borrowings		247,636	153,966
Repayments of loans and borrowings		(279,133)	(155,297)
Decrease/(Increase) in fixed deposits pledged to banks		20,000	(12,000)
Net cash flows used in financing activities		**(14,014)**	**(13,642)**
Net increase/(decrease) in cash and cash equivalents		5,709	(40,902)
Cash and cash equivalents at beginning of financial year		119,870	160,772
Cash and cash equivalents at end of financial year	**21**	**125,579**	**119,870**

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

For the financial year ended 31 December 2022

Reconciliation of liabilities/(assets) arising from financing activities

2022	1 January 2022	Non-cash movement: Foreign exchange movement	Non-cash movement: Interest expense	Financing cash inflows / (outflows)	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Loans and borrowings (Note 27)	157,497	–	10,800	(31,497)	136,800
Amounts due to directors (non-trade) (Note 25)	2,445	–	–	(2,298)	147
Assets					
Pledged deposits (Note 21)	(48,500)	–	–	20,000	(28,500)

2021	1 January 2021	Non-cash movement: Foreign exchange movement	Non-cash movement: Interest expense	Financing cash inflows / (outflows)	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Loans and borrowings (Note 27)	149,710	–	9,118	(1,331)	157,497
Amounts due to directors (non-trade) (Note 25)	2,756	–	–	(311)	2,445
Assets					
Pledged deposits (Note 21)	(36,500)	–	–	(12,000)	(48,500)

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

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

1. General

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

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

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

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

The financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors of the Company on the date of Directors' Statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the current financial year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2022. The adoption of these new or revised SFRS(I)s and SFRS(I) INT did not result in changes to the Group's and Company's accounting policies and has no material effect on the current or prior year's financial statements and is not expected to have a material effect on future periods.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (cont'd)

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

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

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS (I) 1-12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Various	Amendments to SFRS (I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2024
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Non-current liabilities with Covenants	1 January 2024

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

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

2.2 Basis of consolidation

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

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

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

2. Summary of significant accounting policies (Cont'd)

2.2 Basis of consolidation (cont'd)

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.

2.3 Business combinations

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

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

2. Summary of significant accounting policies (Cont'd)

2.3 Business combinations (cont'd)

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.

<u>Common control business combination outside the scope of SFRS(I) 3</u>

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.

2. Summary of significant accounting policies (Cont'd)

2.3 Business combinations (cont'd)

Common control business combination outside the scope of SFRS(I) 3 (cont'd)

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

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

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

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

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

2.4 Revenue recognition

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

Sale of goods

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

2. Summary of significant accounting policies (Cont'd)

2.4 Revenue recognition (cont'd)

Processing

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

2.5 Borrowing costs

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

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

2.6 Retirement benefit costs

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

2.7 Employee leave entitlements

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

2.8 Income tax

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

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

2. Summary of significant accounting policies (Cont'd)

2.8 Income tax (cont'd)

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

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

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

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

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

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

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

2.9 Foreign currency transactions and translation

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

2. Summary of significant accounting policies (Cont'd)

2.9 Foreign currency transactions and translation (cont'd)

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

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

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

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

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

2.10 Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (Cont'd)

2.10 Property, plant and equipment (cont'd)

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

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

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

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

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

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

2.11 Investment property

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

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

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

2.12 Intangible assets

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

2. Summary of significant accounting policies (Cont'd)

2.12 Intangible assets (cont'd)

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

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

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

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

Computer software

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

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

Patent

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

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

Customer base

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

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

2. Summary of significant accounting policies (Cont'd)

2.12 Intangible assets (cont'd)

Operating licence

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

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

Land use rights

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

2.13 Impairment of non-financial assets

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

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

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

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

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

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments

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

Effective interest method

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments (cont'd)

Financial assets (cont'd)

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 31.

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments (cont'd)

Financial assets (cont'd)

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.

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.

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

2. Summary of significant accounting policies (Cont'd)

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 (Cont'd)

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.

2.22 Assets held for sale

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

3. Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

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 and assets held for sale

Investment property and assets held for sale pertains to investment property are stated at fair value, determined by independent valuer which based on the Direct Market Comparison Method that comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. Gain or loss arising from change in the fair value of investment property is recognised in the profit or loss in the year in which it arises. The fair value of the investment property and assets held for sale as at 31 December 2022 is disclosed in Note 14 and Note 22 to the financial statements, respectively.

Measurement of ECL of trade receivables and bill receivables

The Group uses an allowance matrix to measure ECL for trade receivables and bill receivables. The ECL rates are based on the Group's historical loss experience of the receivables, for the last 1 year prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors, including their best estimate of the impact of COVID-19, specific to the receivables and the economic environment which could affect the ability of the debtors to settle the trade receivables and bill receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables and bill receivables as at 31 December 2022 are disclosed in Note 19 to the financial statements.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset may already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment at 31 December 2022 are disclosed in Note 13 to the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

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 2022 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 2022 is disclosed in Note 20 to the financial statements.

Impairment of investment in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investment is impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries as at 31 December 2022 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 2022 were RMB 4,329,000 (2021: RMB 3,826,000).

Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each financial year to ascertain whether there is an indication of impairment. If such indications are found, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the fair value less costs to sell, as determined by independent valuer, who had used the Direct Market Comparison Method by comparing the subject buildings with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. The carrying amounts of the Group's property, plant and equipment at 31 December 2022 is disclosed in Note 13 to the financial statements.

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		Trading		Total							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Geographical markets[(a)]												
PRC	473,754	474,926	–	–	473,754	474,926	87,105	87,286	(29,568)	(30,243)	531,291	519,010
Hong Kong	–	–	309,842	243,562	309,842	243,562	–	–	–	–	309,842	243,562
	473,754	474,926	309,842	243,562	783,596	718,488	87,105	87,286	(29,568)	(30,243)	841,133	762,572
Timing of revenue recognition												
Goods transferred at a point in time	473,754	474,926	309,842	243,562	786,596	718,488	87,105	87,286	(29,568)	(30,243)	841,133	762,572

(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.

Nature of goods or services	For details on the nature of goods or services of the Group, refer to Note 2.4.
When revenue is recognised	For details on the revenue recognition policy of the Group, refer to Note 2.4.
Significant payment terms	Invoices for sales of Zipper, Trading and Processing are issued to the customers when the products are delivered or when the services are performed. Payment for these products and services are due within 90 to 180 days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence no interest is charged to customers.

4. Revenue (Cont'd)

Contract balances

	2022 RMB'000	2021 RMB'000 (restated)
Contract liabilities – Advances from customers (Note 26)	(23,735)	(33,844)

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

	2022 RMB'000	2021 RMB'000 (restated)
Revenue recognised that was included in the contract liability balance at the beginning of the year	(33,844)	(27,850)
Increases due to cash received, excluding amounts recognised as revenue during the year	(23,735)	(33,844)

5. Other income

	Group	
	2022 RMB'000	2021 RMB'000
Rental and management income	13,959	6,176
Foreign exchange gain, net	13,219	–
Reversal of loss allowance on trade receivables	7,828	36,504
Reversal of loss allowance advance to suppliers	1,548	537
Government grant	1,350	1,006
Others	708	3,966
	38,612	48,189

Rental and management income mainly relate to operating leases and management services provided for the investment property held by the subsidiary, Xiamen Fuxing. Refer to Note 14 for details on the investment property.

6. Interest income and financial costs

	Group	
	2022 RMB'000	2021 RMB'000
Interest income from:		
- Bank deposits	1,100	1,226
Interest expense on:		
- Bank loans	10,800	9,118

7. Other expenses

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Loss on disposal of property, plant and equipment	1,393	–
Loss on disposal of assets held for sale	–	132
Write off of property, plant and equipment	215	–
Foreign exchange loss, net	–	4,127
Others	63	222
	1,671	4,481

8. Profit before income tax

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

		Group	
	Note	**2022**	**2021**
		RMB'000	**RMB'000**
Personnel expenses	10	69,926	73,723
Write off of property, plant and equipment	7	215	–
Loss on disposal of property, plant and equipment	7	1,393	–
Loss on disposal of assets held for sale	7	–	132
Reversal of impairment loss on trade receivables, net	5, 31	(7,828)	(36,504)
Reversal of impairment loss on advance to suppliers, net	5, 31	(1,548)	(537)
Allowance for obsolescence and slow-moving stocks	18	1,861	578
Write back of social security contribution	29	(4,487)	(1,562)
Audit fees charged by auditors of the Company		1,568	1,500

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.

9. Significant related party transactions (Cont'd)

(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); or
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

Compensation of directors and key management personnel

	Group		Company	
	2022	**2021**	**2022**	**2021**
	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)	2,813	3,400	1,304	1,768
Comprises amounts paid to:				
- Directors	1,678	1,656	1,304	1,210
- Other key management personnel	1,135	1,744	–	558
	2,813	3,400	1,304	1,768

No defined contribution plans were paid to key management personnel.

10. Personnel expenses

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Salaries and bonuses	69,827	69,183
Contribution to defined contribution plans	99	4,540
	69,926	73,723

11. Income tax expense/(credit)

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Current income tax:		
- Current financial year	1,123	1,183
- Land appreciation tax	–	(7,449)
	1,123	(6,266)
Deferred income tax (Note 28)		
- Origination and reversal of temporary differences	166	425
- Overprovision of deferred tax in prior financial year	(60)	–
	106	425
Total income tax expense/(credit)	1,229	(5,841)

11. Income tax expense/(credit) (Cont'd)

The reconciliation between tax expense/(credit) and the profit before income tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2022 and 2021 is as follows:

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Profit before income tax	28,408	49,483
Tax at the domestic tax rates applicable to profits in the countries where the Group operates	5,430	11,944
Adjustments:		
- Non-deductible expenses	620	2,821
- Income not subject to taxation	(2,852)	(12,131)
- Land appreciation tax	–	(7,449)
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries	166	425
- Utilisation of deferred tax assets previously not recognised	(1,307)	(1,432)
- Overprovision of current tax in prior financial year	(828)	–
- Others	–	(19)
Total income tax expense/(credit)	1,229	(5,841)

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 foreign investment enterprises and domestic enterprises. The general applicable EIT tax rate in the PRC is 25%.

Accordingly, Fuxing Dress, Fulong, Jianxin and Fuxin are subjected to EIT tax rate of 25% for the year ended 31 December 2022 (2021: 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 2022 (2021: 25%).

Rental income from Xiamen Fuxing is subjected to tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

11. Income tax expense (Cont'd)

(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 2022 is 16.5% (2021: 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 2022 and 2021.

Unutilised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 109,296,000 (2021: RMB 114,524,000) 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 (2021: 17,205,438).

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

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Profit for the year attributable to owners of the Company	26,623	55,747
	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 (2021: 17,205,438).

	Group	
	2022	**2021**
Basic and diluted earnings per share (RMB per share)	1.55	3.24

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 2021	207,490	312,272	13,562	4,863	–	538,187
Additions	117,388	–	1,126	480	25,731	144,725
Write off	(95,438)	–	(5,880)	(3,516)	–	(104,834)
At 31 December 2021	229,440	312,272	8,808	1,827	25,731	578,078
Additions [(a)]	60,529	29,318	776	125	(25,731)	65,017
Disposal	(15,060)	–	(789)	–	–	(15,849)
Write off	(1,168)	–	–	(35)	–	(1,203)
At 31 December 2022	273,741	341,590	8,795	1,917	–	626,043
Accumulated depreciation						
At 1 January 2021	136,487	170,398	11,784	4,369	–	323,038
Depreciation charge for the financial year	18,614	14,975	671	156	–	34,416
Write off	(92,713)	–	(5,090)	(3,421)	–	(101,224)
At 31 December 2021	62,388	185,373	7,365	1,104	–	256,230
Depreciation charge for the financial year	25,409	14,908	329	189	–	40,835
Disposal	(9,540)	–	(789)	–	–	(10,329)
Write off	(954)	–	–	(34)	–	(988)
At 31 December 2022	77,303	200,281	6,905	1,259	–	285,748
Accumulated impairment loss						
At 1 January 2021, 31 December 2021 and 2022	–	4,076	–	–	–	4,076
Net carrying amount						
At 31 December 2022	196,438	137,233	1,890	658	–	336,219
At 31 December 2021	167,052	122,823	1,443	723	25,731	317,772

(a) Included in the additions of plant and machinery at 31 December 2022 was an amount of RMB 25,731,000 (2021: Nil) relating to assets in construction-in-progress transferred to plant and machinery upon completion and available for use.

13. Property, plant and equipment (Cont'd)

Purchase of property, plant and equipment

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Aggregate cost of property, plant and equipment acquired	65,017	144,725
Less: Prepayments made in prior financial year (Note 20)	(30,624)	(41,920)
Add: Prepayments made in current financial year (Note 20)	3,210	30,624
Net cash outflow for purchase of property, plant and equipment	37,603	133,429

As of 31 December 2022, certain buildings of the Group with net carrying amount of RMB 124,121,000 (2021: RMB 107,888,000) were pledged as security for the facility of bills payables (Note 25) and short-term bank loans (Note 27).

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

14. Investment property

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
		(restated)
At fair value:		
At 1 January and 31 December	38,600	38,600
Statement of comprehensive income		
Rental income from investment property and management income *(Including direct expenses) - net*	6,988	4,895

<u>Valuation of investment property</u>

Investment property is stated at fair value based on the properties' highest and best use, which has been determined based on valuation performed as at 31 December 2021 and 31 December 2022. The valuation of investment property was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd. on the reporting dates. The independent valuer has a recognised and relevant professional qualification and with relevant recent experience in the location and category of the properties being valued. The valuation is based on the direct market comparison approach that makes reference to the market values of comparable properties in the same area.

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

14. Investment property (Cont'd)

Investment property pledged as security

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

Details of the investment property held by the Group as at 31 December 2022 are as follows:

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

15. Land use rights

	Group 2022 RMB'000	Group 2021 RMB'000
Cost		
At 1 January and 31 December	35,300	35,300
Accumulated amortisation		
At 1 January	10,178	9,273
Additions	905	905
At 31 December	11,083	10,178
Net carrying amount		
At 31 December	24,217	25,122
Amount to be amortised		
- Not later than one year	905	905
- Later than one year but not later than five years	4,525	4,525
- Later than five years	18,787	19,692

The Group has land use rights over six plots (2021: six plots) of state-owned land in The People's Republic of China (PRC) where the Group's manufacturing and storage facilities reside. The land use rights are not transferable and have remaining tenure of 24 years to 36 years (2021: 25 years to 37 years).

Land use rights pledged as security

As of 31 December 2022, the land use rights of the Group with net carrying amount of RMB 24,217,000 (2021: RMB 25,122,000) were pledged as security for the facility of bills payables (Note 25) and short-term bank loans (Note 27).

16. Intangible assets

	Software RMB'000	Patent RMB'000	Customer base RMB'000	Operating licence RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2021, 31 December 2021, and 2022	209	46,000	71,951	98,254	216,414
Accumulated amortisation					
At 1 January 2021, 31 December 2021, and 2022	209	20,262	18,587	10,793	49,851
Accumulated impairment					
At 1 January 2021, 31 December 2021, and 2022	–	25,738	53,364	87,461	166,563
Net carrying amount					
At 31 December 2021 and 2022	–	–	–	–	–

Customer base and operating licence arise 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.

17. Investment in subsidiaries

	Company 2022 RMB'000	Company 2021 RMB'000
Unquoted shares, at cost	344,853	344,853

17. Investment in subsidiaries (Cont'd)

Name	Country of incorporation	Principal activities	Effective equity held by the Company 2022 %	2021 %
Held by the Company				
Jade Star Group Holdings Limited ("Jade Star") [(2)]	British Virgin Islands	Investment holding	100	100
Fuxing China Group Limited (HK) ("FCG") [(2)]	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") [(1)]	People's Republic of China	Production and sale of finished zippers and zipper chains	100	100
Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress") [(1)]	People's Republic of China	Production and sale of zipper sliders	100	100
Fookhing Group Trading Co., Ltd ("Fuxing HK") [(1)]	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") [(2)]	People's Republic of China	To handle property management and realtor services for the Group's Xiamen headquarters	80	80

(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

(2) 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	
	2022 **RMB'000**	**2021** **RMB'000**
Raw materials	13,897	17,715
Work-in-progress	9,033	10,293
Finished goods	29,457	24,283
	52,387	52,291

The Group has recognised RMB 782,858,000 (2021: RMB 690,024,000), as an expense in cost of sales.

The inventories have been reduced by RMB 1,861,000 (2021: RMB 578,000) because of the write down to net realisable value. The write-down is included as an expense in cost of sales.

19. Trade and other receivables

	Group		Company	
	2022 **RMB'000**	**2021** **RMB'000**	**2022** **RMB'000**	**2021** **RMB'000**
Trade receivables	306,605	294,976	–	–
Less: loss allowance (Note 31)	(50,697)	(58,525)	–	–
	255,908	236,451	–	–
Bills receivables	5,779	7,349	–	–
Other receivables	25,748	7,897	2	2
Amount due from subsidiaries (non-trade)	–	–	565,065	562,648
Less: loss allowance (Note 31)	(905)	(950)	(311,965)	(311,965)
Total trade and other receivables	286,530	250,747	253,102	250,685

<u>Trade receivables</u>

Trade receivables are non-interest bearing and are normally settled on 90 to 180 days (2021: 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 2022 and 2021.

<u>Bills receivable</u>

Bills receivable are interest-free and have maturity periods of approximately 180 days (2021: 180 days) and are denominated in the functional currencies of the respective companies.

<u>Other receivables</u>

Other receivables mainly comprise of VAT receivables arising from input tax credits of RMB 10,298,000 (2021: RMB 7,076,000).

<u>Amount due from subsidiaries</u>

Amount due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Amounts due from subsidiaries are denominated in the functional currency of the respective company except for an amount of RMB 7,584,000 (2021: RMB 11,674,000) 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 31.

20. Prepayments

	Group	
	2022	2021
	RMB'000	RMB'000
Current:		
Advances to suppliers	70,183	90,728
Less: loss allowance (Note 31)	(3,037)	(4,585)
	67,146	86,143
Prepayments for property, plant and equipment	3,210	30,624
Prepaid operating expenses	3,790	5,184
Total prepayments	74,146	121,951

The prepayments are non-interest bearing, refundable on demand and denominated in the functional currencies of the respective entities as at 31 December 2022 and 2021.

Movement in loss allowance for advances to suppliers:	2022	2021
	RMB'000	RMB'000
At 1 January	4,585	5,122
Reversal for the financial year	(1,548)	(537)
At 31 December	3,037	4,585

The Group made a prepayment of RMB 3,210,000 (2021: RMB 30,624,000) to third party vendors to acquire certain machineries.

21. Cash and short-term deposits

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	125,579	119,870	1,570	1,623
Short-term deposits	28,500	48,500	–	–
Cash and short-term deposits	154,079	168,370	1,570	1,623

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 28,500,000 (2021: RMB 48,500,000) are pledged to banks for the Group's bills payables to banks (Note 25) and short-term bank loans (Note 27).

21. Cash and short-term deposits (Cont'd)

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

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar	1,712	1,613	–	–
Singapore Dollar	165	1,383	165	1,383
Hong Kong Dollar	1,665	404	1,405	240

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	
	2022	2021
	RMB'000	RMB'000
Cash and short-term deposits	154,079	168,370
Less: short-term deposits pledged	(28,500)	(48,500)
Cash and cash equivalents	125,579	119,870

22. Assets held for sale

In the financial year ended 31 December 2020, the Group's management and the Company's shareholders approved the sale of its office building, previously classified as investment property and property, plant and equipment. Accordingly, part of these assets were classified as assets held for sale represent units in the aforementioned office building following the commitment of the Group to sell the property. As at 31 December 2022, the Group had completed the disposal of these assets classified as held for sale.

	Group	
	2022	2021
	RMB'000	RMB'000
		(restated)
At fair value:		
At 1 January	–	1,770
Disposal	–	(1,770)
At 31 December	–	–

23. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 1 January and 31 December	17,205	772,574	17,205	772,574

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

(b) Treasury shares

	Group and Company			
	2022		2021	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 1 January and 31 December	277	6,408	277	6,408

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

24. Other reserves

(a) Reserve fund

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

(b) Capital reserve

On 10 September 2007, the Company acquired the entire issued share capital of Jade Star Group at an aggregate consideration based on the net assets value ("NAV") of Jade Star Group and its subsidiaries of SGD 67,777,712 (RMB 344,854,544) (which is the aggregate of the audited NAV of Fookhing Zipper and Fuxing Dress as at 31 December 2006) which is deemed as fair value of the investment in Jade Star Group and its subsidiaries. In consideration of the foregoing, the Company issued an aggregate of 599,800,000 shares of SGD 0.10 each in the Company at an aggregate excess value of SGD 7,797,712 (RMB 39,572,999), credited to the capital reserve of the Company.

24. Other reserves (Cont'd)

(c) Restructuring reserve

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

(d) Foreign currency translation reserve

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

25. Trade and other payables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	22,908	15,290	–	–
Bills payables to banks	115,706	121,248	–	–
Amounts due to directors (non-trade)	147	2,445	2,466	7,102
Total trade and other payables	138,761	138,983	2,466	7,102

Trade payables

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

Bills payables to banks

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Bill payable 1	47,000	72,000
Bill payable 2	10,000	20,000
Bill payable 3	58,706	29,248
	115,706	121,248

25. Trade and other payables (Cont'd)

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

1 Bill payable to bank amounting to RMB 47,000,000 (2021: RMB 72,000,000) 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 Comprehensive Development Zone, Shenhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman), 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 10,000,000 (2021: RMB 20,000,000) 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 Ms. Shi MeiMei.

3 Bill payable to bank amounting to RMB 58,706,000 (2021: RMB 29,248,000) is secured by a charge over a property (Unit 13 on 5th Floor) located at Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman).

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

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 2022 and 2021.

26. Other liabilities

	Group		**Company**	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000 (restated)**	**RMB'000**	**RMB'000**
Contract liabilities - Advances from customers (trade)	23,735	33,844	–	–
Accrued salary and bonuses	33,700	36,936	–	201
Other accruals	23,827	14,526	1,140	698
	81,262	85,306	1,140	899

All other liabilities are denominated in the functional currencies of the respective entities as at 31 December 2022 and 2021.

Other accruals

Other accruals mainly comprise of VAT payables arising from output tax of RMB 10,366,000 (2021: RMB 6,494,000).

27. Loans and borrowings

	Group	
	2022	**2021**
	RMB'000	**RMB'000**
Short-term bank loans:		
Loan 1	106,500	102,500
Loan 2	2,100	9,500
Loan 3	–	26,597
Loan 4	18,900	18,900
Loan 5	9,300	–
Total loans and borrowings	136,800	157,497

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 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 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 was 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).

Goldplan Corporation Limited is wholly owned by Mr. Hong Qing Liang (the Group's Executive Chairman). This loan has been fully repaid in 2022.

4 This loan is guaranteed by personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman), 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 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 Ms. Shi MeiMei.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 31 December 2022 and 2021. The short-term loans bear interest ranging from 4.35% to 7.4% (2021: 2.05% to 7.4%) and are repayable within 12 months.

On 23 July 2020, the Group entered into a mortgage agreement with Xiamen International Bank to pledge the investment property (Note 14) as a security for a loan facility with credit limit of RMB 78,180,000 and the facility is valid until 29 July 2023. This loan facility is unutilised at the end of the financial year.

28. Deferred tax liabilities

Deferred tax as at 31 December relates to the following:

Group	Accelerated tax depreciation RMB'000	Withholding tax on undistributed profits [1] RMB'000	Total RMB'000
Deferred tax liabilities			
At 1 January 2021	9,035	9,257	18,292
Charge to profit or loss	–	425	425
At 31 December 2021	9,035	9,682	18,717
Charge to profit or loss	–	106	106
At 31 December 2022	9,035	9,788	18,823

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

29. Segment information

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

(i) Zippers

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

(a) Zipper Chains

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

(b) Zipper Sliders

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

(ii) Processing

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

29. Segment information (Cont'd)

(iii) Trading

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

(iv) Corporate

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

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

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

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

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

Geographical information

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

	Revenue		**Non-current assets**	
	2022	**2021**	**2022**	**2021**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (restated)**
People's Republic of China	531,291	519,010	399,023	381,494
Hong Kong	309,842	243,562	13	–
	841,133	762,572	399,036	381,494

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.

29. Segment information (Cont'd)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the years ended 31 December 2022 and 2021.

Group	Zipper RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
31 December 2022						
Revenue:						
Sales to external customers	473,754	309,842	57,537	–	–	841,133
Inter-segment sales	–	–	29,568	–	(29,568)	–
Total revenue	473,754	309,842	87,105	–	(29,568)	841,133
Results:						
Segment gross profit	41,052	6,773	8,568	–	–	56,393
Segment results	19,725	4,647	3,491	10,245	–	38,108
Interest income	1,056	1	12	31	–	1,100
Financial costs	(7,292)	(2,091)	(1,417)	–	–	(10,800)
Profit before income tax						28,408
Income tax expense						(1,229)
Net profit attributable to shareholders						27,179
Other segment information						
Loss on disposal of property, plant and equipment	1,393	–	–	–	–	1,393
Depreciation and amortisation	27,998	4	12,722	1,016	–	41,740
Write back of social security contribution	(2,958)	–	(1,529)	–	–	(4,487)
Reversal of impairment loss on trade receivables, net	(7,595)	–	46	(279)	–	(7,828)
Write off of property, plant and equipment	–	–	215	–	–	215
Total assets	**647,567**	**96,188**	**165,518**	**56,905**	**–**	**966,178**
Total assets include:						
Capital expenditure for property, plant and equipment	57,861	17	7,139	–	–	65,017
Total liabilities	(247,188)	(59,000)	(70,245)	(3,542)	–	(379,975)

29. Segment information (Cont'd)

Business segments (Cont'd)

Group	Zipper RMB'000	Trading RMB'000	Processing RMB'000	Corporate RMB'000	Elimination RMB'000	Total RMB'000
31 December 2021						
Revenue:						
Sales to external customers	461,967	243,562	57,043	–	–	762,572
Inter-segment sales	–	–	30,243	–	(30,243)	–
Total revenue	461,967	243,562	87,286	–	(30,243)	762,572
Results:						
Segment gross profit	56,428	5,258	8,999	–	–	70,685
Segment results	51,468	18,049	(7,984)	(4,158)	–	57,375
Interest income	985	–	10	231	–	1,226
Financial costs	(6,842)	(854)	(1,422)	–	–	(9,118)
Profit before income tax						49,483
Income tax credits						5,841
Net profit attributable to shareholders						55,324
Other segment information						
Loss on disposal of assets held for sale	–	–	–	132	–	132
Depreciation and amortisation	21,947	–	12,381	993	–	35,321
Write back of social security contribution	(2,102)	–	540	–	–	(1,562)
Reversal of impairment loss on trade receivables, net	(23,948)	(13,155)	632	(33)	–	(36,504)
Allowance for obsolescence and slow-moving stocks (net)	1,632	–	(1,054)	–	–	578
Write off of property, plant and equipment	3,610	–	–	–	–	3,610
Total assets	578,412	93,784	248,832	53,825	–	974,853
Total assets include:						
Capital expenditure for property, plant and equipment	116,461	–	28,264	–	–	144,725
Total liabilities	(313,855)	(56,034)	(96,929)	62,489	–	(404,329)

30. Commitments

(a) Guarantees

At 31 December 2022 and 2021, 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 58,706,000 (2021: RMB 29,248,000) (Note 25).

– Short-term bank loans of Nil (2021: RMB 26,597,000) (Note 27).

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

(b) Capital commitments

	2022 RMB'000	2021 RMB'000
Commitments for the acquisition of property, plant and equipment	–	18,387
Prepayment (excluding value added tax)	–	55,006
Total cost of property, plant and equipment	–	73,393

31. Financial instruments and financial risks

Financial instruments by category

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

		Group	
	Note	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost			
Trade and other receivables [(a)]	19	276,232	243,671
Advances to suppliers	20	67,146	86,143
Cash and cash equivalents	21	154,079	168,370
		497,457	498,184
Financial liabilities at amortised cost			
Trade and other payables	25	138,761	138,983
Other liabilities [(b)]	26	47,161	44,968
Loans and borrowings	27	136,800	157,497
		322,722	341,448

(a) Excluding VAT receivables.
(b) Excluding VAT payables and contract liabilities – Advances from customers.

31. Financial instruments and financial risks (Cont'd)

Financial instruments by category (cont'd)

	Note	Company 2022 RMB'000	Company 2021 RMB'000
Financial assets at amortised cost			
Trade and other receivables	19	253,102	250,685
Cash and cash equivalents	21	1,570	1,623
		254,672	252,308
Financial liabilities at amortised cost			
Trade and other payables	25	2,466	7,102
Other liabilities	26	1,140	899
		3,606	8,001

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

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

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

Credit risk

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

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

To assess and manage its credit risk, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, and/or where contractual payments are 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.

31. Financial instruments and financial risks (Cont'd)

Credit risk (cont'd)

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.

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

Category	Description	Basis of recognising ECL
1	Low credit risk(Note1)	12-months ECL
2	Non-significant increase in credit risk since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition(Note 2) or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired(Note 3)	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount (Note 4)	Written-off

Note 1. Low credit risk

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

Note 2. Significant increase in credit risk

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

31. Financial instruments and financial risks (Cont'd)

Credit risk (cont'd)

Note 3. Credit impaired

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

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

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 other than the geographical location of their operations.

Credit risk concentration profile

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

	Group			
	2022		**2021**	
By country:	**RMB'000**	**% of total**	**RMB'000**	**% of total**
People's Republic of China	162,322	63	144,457	61
Hong Kong	93,586	37	91,994	39
	255,908	100	236,451	100

At the end of the reporting year, approximately 70% (2021: 76%) of the Group's trade receivables were due from 5 (2021: 6) major customers who are mainly trading companies located in the PRC and Hong Kong.

Trade receivables and bill receivables (Note 19)

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

31. Financial instruments and financial risks (Cont'd)

Credit risk (cont'd)

Trade receivables and bill receivables (Note 19) (cont'd)

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

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

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

		Trade receivables and bill receivables			
	Current	**Past due more than 1 to 90 days**	**Past due more than 91 to 180 days**	**Past due more than 180 days**	**Total**
31 December 2022					
Expected credit loss rates	0%	0%	0%	52%	
Trade receivables (gross)	68,968	87,857	52,221	97,559	306,605
Bill receivables (gross)	5,779	–	–	–	5,779
Loss allowance (including credit impaired)	–	–	–	50,697	50,697
31 December 2021					
Expected credit loss rates	0%	0%	0%	83%	
Trade receivables (gross)	88,979	105,363	29,841	70,793	294,976
Bill receivables (gross)	7,349	–	–	–	7,349
Loss allowance (including credit impaired)	–	–	–	58,525	58,525

31. Financial instruments and financial risk (Cont'd)

Credit risk (cont'd)

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

As of 31 December 2022, the Group recorded other receivables and advances to suppliers amounted to RMB 25,748,000 (2021: RMB 7,897,000) and RMB 74,146,000 (2021: RMB 121,951,000), respectively. The Group assessed on those suppliers' credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets, except for those with objective evidence which indicated that financial assets were credit impaired. Accordingly, the Group measured the impairment loss allowance pursuant to the abovementioned credit risk grading categories and determined that loss allowances of RMB 905,000 and RMB 3,037,000 (2021: RMB 950,000 and RMB 4,585,000) on other receivables and advances to suppliers respectively were made.

Amount due from subsidiaries (Note 19)

As of 31 December 2022, the Company recorded amount due from subsidiaries of RMB 565,065,000 (2021: RMB 562,648,000) consequent to an extension of loans to the subsidiaries. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2022. 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 311,965,000 (2021: RMB 311,965,000).

31. Financial instruments and financial risk (Cont'd)

Credit risk (cont'd)

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

	Group						Company		
	Trade receivables			Bill receivables	Other receivables and prepayments [a]		Other receivables and amount due from subsidiaries		
Internal credit risk grading	Note (i)	Category 4	Total	Note (i)	Category 2	Total	Category 1	Category 4	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance									
Balance at 1 January 2021									
Financial assets repaid	–	95,029	95,029	–	6,072	6,072	–	386,639	386,639
Net remeasurement of loss allowance	–	(36,504)	(36,504)	–	(537)	(537)	–	(70,087)	(70,087)
Exchange differences	–	–	–	–	–	–	–	(4,587)	(4,587)
Balance at 31 December 2021	–	58,525	58,525	–	5,535	5,535	–	311,965	311,965
Net remeasurement of loss allowance	–	(7,828)	(7,828)	–	(1,593)	(1,593)	–	–	–
Balance at 31 December 2022	–	50,697	50,697	–	3,942	3,942	–	311,965	311,965
Gross carrying amount									
At 31 December 2021	236,451	58,525	294,976	7,349	127,357	127,357	250,685	311,965	562,650
At 31 December 2022	255,908	50,697	306,605	5,779	92,633	92,633	253,102	311,965	565,067
Net carrying amount									
At 31 December 2021	236,451	–	236,451	7,349	121,822	121,822	250,685	–	250,685
At 31 December 2022	255,908	–	255,908	5,779	88,691	88,691	253,102	–	253,102

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.

[a] Excluding VAT receivables.

31. Financial instruments and financial risk (Cont'd)

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 using 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 using bank loans and bills payables when necessary. At the end of the reporting period, approximately 100% (2021: 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	
	2022	**2021**
	RMB'000	**RMB'000**
Group		
Financial assets:		
Trade and other receivables [a]	276,232	243,671
Advances to suppliers	67,146	86,143
Cash and short-term deposits	154,079	168,370
Total undiscounted financial assets	497,457	498,184
Financial liabilities:		
Trade and other payables	138,761	138,983
Other liabilities [b]	47,161	44,968
Loans and borrowings	136,800	157,497
Total undiscounted financial liabilities	322,722	341,448
Total net undiscounted financial assets	174,735	156,736

[a] Excluding VAT receivables.
[b] Excluding VAT payables and contract liabilities – Advances from customers.

31. Financial instruments and financial risk (Cont'd)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less	
	2022	**2021**
	RMB'000	**RMB'000**
Company		
Financial assets:		
Trade and other receivables	253,102	250,685
Cash and short-term deposits	1,570	1,623
Total undiscounted financial assets	254,672	252,308
Financial liabilities:		
Trade and other payables	2,466	7,102
Other liabilities	1,140	899
Total undiscounted financial liabilities	3,606	8,001
Total net undiscounted financial assets	251,066	244,307

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 (2021: 100) basis points lower/higher and all other variables were held constant, the Group's profit before income tax would have been RMB 1,368,000 (2021: RMB 1,575,000) 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.

31. Financial instruments and financial risk (Cont'd)

Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2022	2021	2022	2021
	Profit/(loss) before income tax		Profit/(loss) before income tax	
	RMB'000	RMB'000	RMB'000	RMB'000
HKD – strengthened 5% (2021: 5%)	(83)	(20)	(1,089)	(596)
– weakened 5% (2021: 5%)	83	20	1,089	596

32. Fair value of assets and liabilities

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

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

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

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

32. Fair value of assets and liabilities (Cont'd)

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.

Recurring Fair Value Measurement	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group			
2022			
Non-financial assets:			
Investment property - Commercial	–	–	38,600
2021			
Non-financial assets:			
Investment property - Commercial	–	–	38,600

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	
	2022 RMB'000	2021 RMB'000 (restated)
At 1 January and 31 December	38,600	38,600

	Assets held for sale	
	2022 RMB'000	2021 RMB'000 (restated)
At 1 January	–	1,770
Disposal	–	(1,770)
At 31 December	–	–

The amount of total loss for the financial year included in profit or loss under 'Other expenses' that is attributable to the change in unrealised loss relating to assets held for sale is Nil (2021: RMB 212,000).

32. Fair value of assets and liabilities (Cont'd)

Valuation policies and procedures

The Group's Finance Director ("FD") 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 FD 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 FD evaluates all significant changes in fair value measurements for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources, if necessary and appropriate.

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

33. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

As disclosed in Note 24(a), PRC subsidiaries are required by the relevant law and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2022 and 2021.

33. Capital management (Cont'd)

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	
	2022	**2021**
	RMB'000	**RMB'000 (restated)**
Trade and other payables	138,761	138,983
Other liabilities	81,262	85,306
Loans and borrowings	136,800	157,497
Less: Cash and unpledged fixed deposits	(154,079)	(168,370)
Net debt	202,744	213,416
Equity attributable to owners of the Company	585,840	570,498
Less: Reserve fund	(67,130)	(67,008)
Total capital	518,710	503,490
Capital and net debt	721,454	716,906
Gearing ratio	0.28	0.30

34. Prior year adjustments

(a) Investment property

In FY2019, given the development and market sentiments in the PRC's real estate industry, the Group had determined that it was in the best interest of the Group to sell off the investment property.

On 19 May 2020, the Group had obtained the local authorities' approval for the disposal. On 3 July 2020, the Group had entered into provisional sale and purchase agreements (the "Provisional SPAs") with interested buyers to dispose part of the investment property, Fuxing International Centre, for an aggregate consideration of RMB 430,290,420. These sales were executed and completed on 4 December 2020. For the financial year ended 31 December 2020, the Group reclassified the investment property with carrying amount of RMB 437,918,000 to assets held for sale. The Group had completed the disposal of certain units of the property.

In FY2022, certain units of the property with carrying amount of RMB 38,600,000 remained unsold. The remaining units of the property do not meet the criteria under SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations to be classified as assets held for sale.

Management corrected the material prior period's error identified above retrospectively by restating the comparative amounts for the prior period's statement of financial position in accordance with *SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors*.

34. Prior year adjustments (Cont'd)

(b) Advances from customers

Advances from customers represent prepayments received from customers for goods that are yet to be delivered. The advances from customers are recognized as a liability on the statement of financial position until the related goods are delivered.

In FY2022, advances from customers amounting to RMB 26,740,000 have past due for more than 3 to 10 years. As stipulated by the general statute of limitation under the PRC General Rules of Civil Law, claims arising from contracts are subject to a standard limitation period of three years, beyond which no further claims may be pursued against the Group.

The Group had published a notice of creditors in major newspapers on 8 April 2023. The notice notified customers whose upfront payments had exceeded the three-year limitation period to come forward and make a claim against the Group within 30 days of the publication date. No claim has been made against the Group with regards to advances from customers that have exceeded the three-year limitation period. Consequently, the advances from customers exceeding three years do not meet the criteria to be recognised as a liability in accordance with the *SFRS (I) Conceptual Framework for Financial Reporting*.

Given that the advances from customers exceeding three years were carried forward from several years prior, the management was unable to determine whether the advances from customers exceeding three years arose from an accounting error whereby such payments were not being offset against trade receivables at the time of revenue recognition or for goods that are yet to be delivered without incurring undue costs.

In view that majority of this balance pertains to advances from customers exceeding ten years, the management decided to correct the material prior period's error identified above retrospectively by restating the comparative amounts for the prior period's statement of financial position in accordance with *SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors*.

The prior year adjustments, to the extent that they are applied retrospectively, have the following impact:

	As reported RMB'000	Prior year adjustments RMB'000	As restated RMB'000
Statement of financial position			
At 1 January 2021			
Assets held for sale	40,370	(38,600)	1,770
Investment property	–	38,600	38,600
Other liabilities	105,503	(26,740)	78,763
Accumulated losses	(269,258)	26,740	(242,518)
At 31 December 2021			
Assets held for sale	38,600	(38,600)	–
Investment property	–	38,600	38,600
Other liabilities	112,046	(26,740)	85,306
Accumulated losses	(213,962)	26,740	(187,222)

STATISTICS OF **SHAREHOLDINGS**

As at 31 July 2023

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	111	9.75	4,823	0.03
100 - 1,000	670	58.88	309,000	1.80
1,001 - 10,000	294	25.83	833,951	4.85
10,001 - 1,000,000	61	5.36	2,999,624	17.43
1,000,001 AND ABOVE	2	0.18	13,058,040	75.89
TOTAL	**1,138**	**100.00**	**17,205,438**	**100.00**

TREASURY SHARES AND SUBSIDIARY HOLDINGS

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

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HONG QINGLIANG	10,068,640	58.52
2	HSBC (SINGAPORE) NOMINEES PTE LTD	2,989,400	17.37
3	UOB KAY HIAN PRIVATE LIMITED	598,920	3.48
4	KHOE HONG OAN	257,200	1.49
5	DBS NOMINEES (PRIVATE) LIMITED	186,740	1.09
6	MAYBANK SECURITIES PTE. LTD.	129,758	0.75
7	WONG PANG FEI	115,384	0.67
8	RAFFLES NOMINEES (PTE.) LIMITED	106,950	0.62
9	SHI NENGYI	99,680	0.58
10	PHILLIP SECURITIES PTE LTD	77,959	0.45
11	WU SHU MAN	72,600	0.42
12	ATMA SINGH S/O NAND SINGH	70,000	0.41
13	XU PENG FENG	70,000	0.41
14	ONG SWEE LOONG	64,000	0.37
15	CAI MINGXIN	62,240	0.36
16	KWEK LAY HAR	55,460	0.32
17	NUN KWONG HOLDINGS PTE LTD	45,760	0.27
18	QIU JIAN SHENG	42,820	0.25
19	SHI FENGRUI	39,720	0.23
20	TAN AH GUAN	39,000	0.23
	TOTAL	**15,192,231**	**88.29**

STATISTICS OF **SHAREHOLDINGS**

As at 31 July 2023

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 31 July 2023)

	Direct Interest	%	Deemed Interest	%
Hong Qing Liang	10,068,640	58.52	–	–
Santa Lucia Asset Management Pte Ltd(1)	–	–	2,980,600	17.32
Rupert James Philip Morton(2)	–	–	2,980,600	17.32
HB8 Holding Pte Ltd(3)	–	–	2,980,600	17.32
Florian Jorg Weidinger(4)	–	–	2,980,600	17.32

Notes:

(1) By virtue of Section 4 of the Securities and Futures Act 2001 Singapore, Santa Lucia Asset Management Pte Ltd is deemed interested in Fuxing China Group Limited's shares held by HSBC (SINGAPORE) NOMINEES PTE LTD (for the accounts of CIM Investment Fund ICAV and CIM Discovery Fund Ltd and Van Biema Select Pan Asia Fund I LP) and its capacity as investment manager of CIM Investment Fund ICAV, CIM Discovery Fund Ltd, and Van Biema Select Pan Asia Fund I LP (the "Funds"). Santa Lucia Asset Management Pte Ltd became the investment manager on 31 December 2020 for the CIM Investment Fund ICAV and CIM Discovery Fund Ltd and on 1 January 2021 for Van Biema Select Pan Asia Fund I LP when CIM Investment Management Limited novated the investment management agreements for the Funds.

(2) Rupert James Philip Morton as CEO and Chief Investment Officer of Santa Lucia Asset Management Pte Ltd, is deemed interested in Fuxing China Group Limited's shares held by HSBC (SINGAPORE) NOMINEES PTE LTD by virtue of his managerial control of Santa Lucia Asset Management Pte Ltd.

(3) HB8 Holding Pte Ltd is deemed interested in Fuxing China Group Limited's shares held by HSBC (SINGAPORE) NOMINEES PTE LTD by virtue of holding a controlling interest in Santa Lucia Asset Management Pte Ltd. by virtue of Section 7(4) of the Companies Act. HB8 Holding Pte Ltd obtained a controlling interest in Santa Lucia Asset Management Pte Ltd on 1 July 2021.

(4) Florian Jorg Weidinger has a substantial ownership interest in HB8 Holding Pte Ltd which holds a substantial ownership interest in Santa Lucia Asset Management Pte Ltd which is investment manager respectively, of CIM Investment Fund ICAV, CIM Discovery Fund Ltd, and Van Biema Select Pan Asia Fund I LP, and as such, has a deemed interest in the Fuxing China Group Limited's shares by virtue of Section 7(4) of the Companies Act.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Approximately 20.78 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of **Fuxing China Group Limited** (the "**Company**") will be held at 1 Robinson Rd, #21-00 AIA Tower, Singapore 048542 on 6 September 2023 at 11.00 a.m. (Singapore Time) 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 financial year ended 31 December 2022 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Lim Cheng Kee, a Director retiring pursuant to Bye-law 86 of the Company's Bye-laws. **(Resolution 2)**

   Mr Lim Cheng Kee will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee. He is an independent Director.

3. To approve the payment of Directors' fees of S$115,230 for the financial year ending 31 December 2023, payable half-yearly in arrears. (2022: S$104,756). **(Resolution 3)**

4. To re-appoint RT LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

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 ("**SGX-ST**"), the Directors of the Company be empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

   (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 SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of Listing Manual of the SGX-ST; 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 SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company for the time being; 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

*[**See Explanatory Note**]* **(Resolution 5)**

By Order of the Board

Josephine Toh
Company Secretary
Singapore, 22 August 2023

Explanatory note:

The Ordinary Resolution 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1. A Member (other than CDP) entitled to attend and vote at the AGM 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 Depositor (who is not an individual) whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore) wishes to attend and vote at the AGM, then he/she/it should complete the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the **Company's Singapore Share Transfer Agent at Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632**, not less than forty-eight (48) hours before the time appointed for holding the AGM.

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

4. The AGM will be held in a wholly physical format at 1 Robinson Rd, #21-00 AIA Tower, Singapore 048542 on 6 September 2023 at 11.00 a.m. (Singapore Time). **There will be no option to participate virtually.**

   Shareholders may participate in the AGM by: (a) attending the AGM in person; (b) submitting questions to the Chairman of the Meeting in advance of, or at, the AGM; and/or (c) voting at the AGM (i) themselves; or (ii) through duly appointed proxy(ies).

   Printed copies of this notice and Proxy Form for the AGM will be despatched to the members of the Company. The Annual Report will not be despatched to the members of the Company. All documents (the Annual Report, the Proxy form, and this Notice of AGM) have been, or will be, published on the SGX website, SGXNet at the URL https://www.sgx.com/securities/company-announcements. They can be downloaded from SGXNet.

   Details of the steps for registration, submission of questions and voting at the AGM by shareholders are set out below:

   A. **Attend in person at the AGM**

   Shareholders and (where applicable) duly appointed proxies can attend the AGM in person. They will first need to register personally at the registration counter(s) outside the AGM venue on the day of the event, and should bring along their NRIC/ passport to enable the Company to verify their identity for entry to, and (where applicable) be provided with a handheld device for electronic voting at, the physical meeting.

   Registration will commence at 10.30 a.m. (Singapore Time). Shareholders are advised not to attend the AGM if they are feeling unwell.

   B. **Submit questions in advance of, or at, the AGM**

   Shareholders can submit questions in advance of, or at, the AGM.

   Submitting questions in advance of the AGM. Shareholders may submit substantial and relevant questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM, **via email.** Shareholders may submit their questions via email to oilinfxcg@gmail.com.

   When submitting questions via email, shareholders should provide the Company with the following details to enable the Company to verify their status as shareholders: (i) the shareholder's full name (as per CDP records); (ii) the last four alphanumeric characters of the shareholder's NRIC/FIN/Passport No./UEN; (iii) the shareholder's address; and (iv) the manner in which the shareholder holds his/her/its shares in the Company (e.g., CDP).

   Deadline for submitting questions in advance of the AGM. All questions submitted in advance of the AGM via email must be received by the Company by **5.00 p.m. (Singapore Time) on 30 August 2023**.

Asking questions at the AGM. Shareholders and (where applicable) duly appointed proxies may also ask the Chairman of the Meeting substantial and relevant questions related to the resolutions to be tabled for approval at the AGM, at the AGM itself.

Addressing questions. The Company will address all substantial and relevant questions received from shareholders by the 30 August 2023 submission deadline by publishing its responses to such questions on the SGX website prior to the AGM.

The Company will address any subsequent clarifications sought, or substantial and relevant follow-up questions (which are related to the resolutions to be tabled for approval at the AGM) received after the 30 August 2023 submission deadline which have not already been addressed prior to the AGM, as well as those substantial and relevant questions received at the AGM, at the AGM itself. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.

Minutes of AGM. The Company will publish the minutes of the AGM on the SGX website, and the minutes will include the responses to substantial and relevant questions and clarifications from shareholders (if any) which are addressed during the AGM.

C. Vote in person, or appoint proxy(ies) to vote, at the AGM

Shareholders can vote at the AGM themselves or through duly appointed proxy(ies).

Please refer to paragraph (A.) above regarding registration in person at the AGM venue.

Shareholders who wish to appoint a proxy(ies) must submit an instrument appointing a proxy(ies).

Submission of instruments appointing a proxy(ies). The instrument appointing a proxy(ies) must be submitted to the Company by post to the **Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632**, **not less than forty-eight (48) hours before the time appointed for holding the AGM.**

A shareholder who wishes to submit an instrument appointing a proxy(ies) can either use the printed copy of the Proxy Form which is sent to him/her/it by post, and complete and sign the Proxy Form, before submitting it by post to the address provided above.

Deemed revocation of proxy appointment if shareholder attends the AGM in person. Completion and submission of the instrument appointing a proxy(ies) by a shareholder will not prevent him/her from attending, speaking and voting at the AGM if he/ she so wishes. The appointment of a proxy(ies) for the AGM shall be deemed to be revoked if the shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies), to the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member/Depositor of the Company (i) consents to the collection, use and disclosure of the member's/Depositor'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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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/Depositor discloses the personal data of the member's/Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member/Depositor 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/Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's/Depositor's breach of warranty.

CORPORATE **INFORMATION**

Board of Directors

Hong Qing Liang
(Executive Chairman)

Hong Peng You
(Executive Director)

Ho Kah Leong
(Lead Independent Director)

Lim Cheng Kee
(Independent Director)

Qiu Qing Yuan
(Independent Director)

Audit Committee

Lim Cheng Kee (Chairman)
Ho Kah Leong
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 Secretaries

Josephine Toh

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

RT LLP
70 Shenton Way
#07-15 Eon Shenton
Singapore 079118

Partner-in-charge
Kenneth Ng Boon Chong
(since financial year ended 31 December 2022)

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
1 Harbourfront Avenue #14-07
Keppel Bay Tower
Singapore 098632

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

3F ZIPPER

Fuxing China Group Limited

SYMBOLIC BRAND OF CHINA