

FUXING CHINA GROUP LIMITED

(Incorporated in the Bermuda with limited liability)

(Company Registration Number: 38973)

Condensed Interim Financial Statements

For the half year ended 30 June 2022

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

| | <i>Note</i> | The Group | |
|---|-------------|---|---|
| | | 6 months ended 30 June 2022 (Unaudited) RMB '000 | 6 months ended 30 June 2021 (Unaudited) RMB '000 |
| Revenue | 4 | 416,188 | 341,228 |
| Cost of sales | | <u>(383,498)</u> | <u>(312,872)</u> |
| Gross profit | | 32,690 | 28,356 |
| Other items of income | | | |
| Other income | 5 | 13,025 | 3,663 |
| Interest income | 6 | 565 | 496 |
| Other items of expenses | | | |
| Marketing and distribution costs | | (4,119) | (4,184) |
| Administrative expenses | | (15,605) | (15,632) |
| Other expenses | 7 | (1,398) | (1,731) |
| Finance costs | 6 | (4,831) | (4,573) |
| Profit before tax | 8 | 20,327 | 6,395 |
| Income tax expenses | 10 | <u>(782)</u> | <u>(614)</u> |
| Profit for the period | | 19,545 | 5,781 |
| Other comprehensive income / (loss): | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange difference on consolidation/combination | | <u>(5,444)</u> | <u>1,554</u> |
| Total comprehensive income for the period | | <u>14,101</u> | <u>7,335</u> |
| Profit / (loss) attributable to: | | | |
| Owners of the Company | | 19,277 | 5,946 |
| Non-controlling interests | | <u>268</u> | <u>(165)</u> |
| | | <u>19,545</u> | <u>5,781</u> |
| Total comprehensive income / (loss) attributable to: | | | |
| Owners of the Company | | 13,833 | 7,500 |
| Non-controlling interests | | <u>268</u> | <u>(165)</u> |
| | | <u>14,101</u> | <u>7,335</u> |
| Earnings per share attributable to owners of the Company | 11 | RMB | RMB |
| Basic and diluted | | <u>1.12</u> | <u>0.34</u> |

B. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

| | <i>Note</i> | The Group | | The Company | |
|---|-------------|---|---|---|---|
| | | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 344,095 | 317,772 | - | - |
| Land use right | | 24,669 | 25,122 | - | - |
| Intangible assets | | - | - | - | - |
| Investment in subsidiaries | | - | - | 344,853 | 344,853 |
| | | 368,764 | 342,894 | 344,853 | 344,853 |
| Current assets | | | | | |
| Inventories | 15 | 62,154 | 52,291 | - | - |
| Trade and other receivables | 16 | 276,013 | 250,747 | 248,679 | 250,685 |
| Prepayments | 17 | 81,754 | 121,951 | - | - |
| Cash and short-term deposits | | 167,477 | 168,370 | 292 | 1,623 |
| Assets held for sale | | 38,600 | 38,600 | - | - |
| | | 625,998 | 631,959 | 248,971 | 252,308 |
| Total assets | | 994,762 | 974,853 | 593,824 | 597,161 |
| Equity and liabilities | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 18 | 772,574 | 772,574 | 772,574 | 772,574 |
| Treasury shares | 18 | (6,408) | (6,408) | (6,408) | (6,408) |
| Reserve fund | | 67,130 | 67,008 | - | - |
| Capital reserve | | 39,573 | 39,573 | 39,573 | 39,573 |
| Restructuring reserve | | (117,878) | (117,878) | - | - |
| Foreign currency translation reserve | | (2,593) | 2,851 | - | - |
| Accumulated losses | | (194,807) | (213,962) | (214,538) | (216,579) |
| Total equity attributable to owners of the Company | | 557,591 | 543,758 | 591,201 | 589,160 |
| Non-controlling interests | | 75 | 26 | - | - |
| Total equity | | 557,666 | 543,784 | 591,201 | 589,160 |
| Current liabilities | | | | | |
| Trade and other payables | 19 | 137,150 | 138,983 | 2,053 | 7,102 |
| Other liabilities | 20 | 117,673 | 112,046 | 570 | 899 |
| Loans and borrowings | 21 | 159,466 | 157,497 | - | - |
| Income tax payable | | 4,047 | 3,826 | - | - |
| | | 418,336 | 412,352 | 2,623 | 8,001 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | | 18,760 | 18,717 | - | - |
| Total liabilities | | 437,096 | 431,069 | 2,623 | 8,001 |
| Total equity and liabilities | | 994,762 | 974,853 | 593,824 | 597,161 |

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<-----Attributable to owners of the Company----->

| Group | Share capital RMB'000 | Treasury shares RMB'000 | Reserve fund RMB'000 | Contributed surplus RMB'000 | Restructuring reserve¹ RMB'000 | Translation reserve RMB'000 | Accumulated losses RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
|--|----------------------------------|------------------------------------|--|--|--|--|---------------------------------------|--|---------------------------------|
| At 1 January 2021 | 772,574 | (6,408) | 66,557 | 39,573 | (117,878) | (885) | (269,258) | 449 | 484,724 |
| Total comprehensive income for the period | - | - | - | - | - | 1,554 | 5,946 | (290) | 7,210 |
| At 30 June 2021 | 772,574 | (6,408) | 66,557 | 39,573 | (117,878) | 669 | (263,312) | 159 | 491,934 |
| At 1 January 2022 | 772,574 | (6,408) | 67,008 | 39,573 | (117,878) | 2,851 | (213,962) | 26 | 543,784 |
| Total comprehensive income for the period | - | - | - | - | - | (5,444) | 19,277 | 268 | 14,101 |
| Appropriation to reserve fund | | | 122 | | | | (122) | - | - |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | (219) | (219) |
| At 30 June 2022 | 772,574 | (6,408) | 67,130 | 39,573 | (117,878) | (2,593) | (194,807) | 75 | 557,666 |
| Company | Share capital RMB'000 | Treasury shares RMB'000 | Contributed surplus RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 | | | | |
| At 1 January 2021 | 772,574 | (6,408) | 39,573 | (280,992) | 524,747 | | | | |
| Total comprehensive loss for the period | - | - | - | (5,360) | (5,360) | | | | |
| At 30 June 2021 | 772,574 | (6,408) | 39,573 | (286,352) | 519,387 | | | | |
| At 1 January 2022 | 772,574 | (6,408) | 39,573 | (216,579) | 589,160 | | | | |
| Total comprehensive income for the period | - | - | - | 2,041 | 2,041 | | | | |
| At 30 June 2022 | 772,574 | (6,408) | 39,573 | (214,538) | 591,201 | | | | |

Note:

¹ **Restructuring reserve:**

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

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 months Ended 30 June 2022 (Unaudited) RMB'000 | 6 months Ended 30 June 2021 (Unaudited) RMB'000 |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 20,327 | 6,271 |
| <u>Adjustments for:</u> | | |
| Depreciation of property, plant and equipment | 19,332 | 15,455 |
| Amortisation of land use rights | 453 | 453 |
| (Written back)/Allowance for doubtful trade receivables | (8,418) | (5,195) |
| Written back for advances to suppliers | (1,733) | (1,074) |
| Loss on disposal of assets held for sale | - | 181 |
| Loss on disposal of property, plant and equipment | 1,393 | - |
| Interest expense | 4,831 | 4,573 |
| Interest income | (565) | (496) |
| Foreign currency difference | (4,219) | 580 |
| Total adjustments | 11,074 | 14,477 |
| Operating cash flows before changes in working capital | 31,401 | 20,748 |
| (Increase)/ Decrease in: | | |
| Inventories | (9,862) | (17,322) |
| Trade and other receivables | (16,903) | 16,972 |
| Prepayments | 18,980 | 26,096 |
| <u>Increase/ (Decrease) in:</u> | | |
| Trade payables | 6,482 | 4,647 |
| Other payables & accruals | (3,513) | 1,996 |
| Due to directors | 692 | (2,293) |
| Total changes in working capital | (4,124) | 30,096 |
| Cash flows generated from operations | 27,277 | 50,844 |
| Income tax paid | (518) | (867) |
| Net cash generated from operating activities | 26,759 | 49,977 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (28,039) | (32,678) |
| Deposits received from disposal of assets held for sale | - | - |
| Proceeds from disposal of property, plant and equipment | 4,127 | 1,638 |
| Interest income received | 565 | 496 |
| Net cash used in investing activities | (23,347) | (30,544) |
| FINANCING ACTIVITIES | | |
| Dividend paid to non-controlling interest | (219) | - |
| Proceeds from short-term borrowings | 124,074 | 65,097 |
| Repayments for short-term borrowings | (128,160) | (95,930) |
| (Increase) / Decrease in fixed deposits pledged to banks | 25,500 | (3,000) |
| Net cash generated from / (used in) financing activities | 21,195 | (33,833) |
| NET INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS | 24,607 | (14,400) |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 119,870 | 160,772 |
| CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A) | 144,477 | 146,372 |

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Note A:

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

| | 6 months Ended 30 June 2022 | 6 months Ended 30 June 2021 |
|----------------------------------|--|-----------------------------------|
| | Unaudited RMB'000 | Unaudited RMB'000 |
| Fixed deposits | 23,000 | 39,500 |
| Cash and bank balances | 144,477 | 146,372 |
| | 167,477 | 185,872 |
| Less: Fixed deposits (pledged) | (23,000) | (39,500) |
| Cash and cash equivalents | 144,477 | 146,372 |

Fixed deposits amounting to RMB23,000,000 (2020: RMB39,500,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 General information

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

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

The principal activities of the subsidiaries are disclosed in Note 1.2 to the financial statements.

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

1.2 Group structure

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

| <u>Name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Effective equity held by the Company</u> | |
|--|---------------------------------|---|---|------------------------------|
| | | | <u>30 June 2022</u> % | <u>31 December 2021</u> % |
| <i>Held by the Company</i> | | | | |
| Jade Star Group Holdings Limited (“Jade Star”) ⁽¹⁾ | British Virgin Islands | Investment holding | 100 | 100 |
| Fuxing China Group Limited (HK) (“FCG”) ⁽¹⁾ | Hong Kong | Investment holding, to facilitate the application of the State-owned Land Use Right Certificate in respect of the Land Parcel | 100 | 100 |
| <i>Held through Jade Star</i> | | | | |
| Jinjiang Fookhing Zipper Co., Ltd (“Fookhing Zipper”) ⁽²⁾ | People's Republic of China | Production and sale of finished zippers and zipper chains | 100 | 100 |
| Jinjiang Fuxing Dress Co., Ltd (“Fuxing Dress”) ⁽²⁾ | People's Republic of China | Production and sale of zipper sliders | 100 | 100 |
| Fookhing Group Trading Co., Ltd (“Fuxing HK”) ⁽²⁾ | Hong Kong | Trading of raw materials for textile sector | 100 | 100 |
| Fulong Zipper and Weaving Co., Ltd (“Fulong”) ⁽¹⁾ | People's Republic of China | Colour dyeing of fabric tapes for zippers | 100 | 100 |
| Jinjiang Jianxin Weaving Co., Ltd (“Jianxin”) ⁽¹⁾ | People's Republic of China | Manufacturing and sales of dyed yarn | 100 | 100 |
| Jinjiang Fuxin Electroplating Co., Ltd (“Fuxin”) ⁽¹⁾ | People's Republic of China | Provision of electroplating services for zipper sliders | 100 | 100 |
| <i>Held through FCG</i> | | | | |
| Xiamen Fuxing Industrial Co., Ltd. (“Xiamen Fuxing”) ⁽²⁾ | People's Republic of China | Real estate development | 100 | 100 |
| <i>Held through Xiamen Fuxing</i> | | | | |
| Xiamen Xinfuxing Property Management Co., Ltd (“Xiamen Property”) ⁽³⁾ | People's Republic of China | To handle property management and realtor services for the Group’s Xiamen headquarters | 80 | 80 |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The condensed interim financial statements for the half year ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the last audited annual financial statements for the year ended 31 December 2021.

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

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

2.2 New and amended Standards adopted by the Group

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

2.3 Use of judgment and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 SEASONAL OPERATIONS

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

4 SEGMENT INFORMATION AND REVENUE

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

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

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

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

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

Geographical information

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

| | <u>Revenue</u> | | <u>Non-current assets</u> | |
|----------------------------|-------------------------|-----------------|----------------------------------|---------------------|
| | 30 June 2022 | 30 June 2021 | 30 June 2022 | 31 December 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| People's Republic of China | 271,970 | 232,653 | 368,750 | 342,894 |
| Hong Kong | 144,218 | 108,575 | 14 | - |
| Total | 416,188 | 341,228 | 368,764 | 342,894 |

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the periods ended 30 June 2022 and 2021.

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments (Continued)

| Group | Zipper | Trading | Processing | Corporate | Elimination | Total |
|--|------------------|-----------------|-------------------|------------------|--------------------|------------------|
| 30 June 2021 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue: | | | | | | |
| Sales to external customers | 203,538 | 108,574 | 29,116 | - | - | 341,228 |
| Inter-segment sales | 4,559 | - | 13,024 | - | (17,583) | - |
| Total revenue | <u>208,097</u> | <u>108,574</u> | <u>42,140</u> | <u>-</u> | <u>(17,583)</u> | <u>341,228</u> |
| Results: | | | | | | |
| Segment gross profit | 21,086 | 2,272 | 4,998 | - | - | 28,356 |
| Segment results | 8,620 | 9,289 | (2,387) | (5,050) | - | 10,472 |
| Interest income | 453 | - | 6 | 37 | - | 496 |
| Financial costs | (3,436) | (427) | (710) | - | - | (4,573) |
| Profit before income tax | | | | | | 6,395 |
| Income tax expenses | | | | | | (614) |
| Net profit attributable to shareholders | | | | | | 5,781 |
| Other segment information | | | | | | |
| Loss on disposal of fixed assets | - | - | - | 181 | - | 181 |
| Depreciation and amortisation | 9,669 | 1 | 6,226 | 13 | - | 15,908 |
| Allowance / (Write back) of doubtful trade and other receivables | 44 | (6,942) | 1,230 | 473 | - | (5,195) |
| (Write back) / Allowance of doubtful advance to suppliers | (1,354) | - | 280 | - | - | (1,074) |
| Write off of property, plant and equipment | - | - | 86 | - | - | 86 |
| Total assets | <u>611,511</u> | <u>75,036</u> | <u>130,123</u> | <u>49,350</u> | <u>-</u> | <u>866,020</u> |
| Total assets include: | | | | | | |
| Capital expenditure for property, plant and equipment | 31,924 | - | 754 | - | - | 32,678 |
| Total liabilities | <u>(259,890)</u> | <u>(41,853)</u> | <u>(68,962)</u> | <u>(3,381)</u> | <u>-</u> | <u>(374,086)</u> |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

| | 6 months ended 30 June 2022 | 6 months ended 30 June 2021 |
|------------------------------|--|-----------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Government grants | 622 | 25 |
| Foreign exchange gain, net | 6,270 | - |
| Rental and management income | 5,835 | 3,628 |
| Others | 298 | 10 |
| | <u>13,025</u> | <u>3,663</u> |

6. INTEREST INCOME AND FINANCIAL COSTS

| | 6 months ended 30 June 2022 | 6 months ended 30 June 2021 |
|------------------------------|--|-----------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest income from: | | |
| - Bank deposits | <u>565</u> | <u>496</u> |
| Interest expense on: | | |
| - Bank loans | <u>4,831</u> | <u>4,573</u> |

7. OTHER EXPENSES

| | 6 months ended 30 June 2022 | 6 months ended 30 June 2021 |
|--|--|-----------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss on disposal of assets held for sale | 1,393 | 181 |
| Foreign exchange loss, net | - | 1,550 |
| Others | 5 | - |
| | <u>1,398</u> | <u>1,731</u> |

8. PROFIT BEFORE INCOME TAX

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

| | 6 months ended 30 June 2022 | 6 months ended 30 June 2021 |
|---|--|-----------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Personnel expenses | 35,052 | 38,031 |
| Loss on disposal of assets held for sale | - | 181 |
| Loss on disposal of property, plant and equipment | 1,393 | - |
| Net (reversal)/allowance for doubtful trade receivables | (8,418) | (5,195) |
| Net reversal for advance to suppliers | <u>(1,733)</u> | <u>(1,074)</u> |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

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

10. TAXATION

| | 6 months ended 30 June 2022 RMB'000 | 6 months ended 30 June 2021 RMB'000 |
|---|--|--|
| Current income tax expenses | 679 | 520 |
| Deferred income tax expenses relating to origination and reversal of temporary differences ¹ | 103 | 94 |
| Income tax expenses for the period | 782 | 614 |

Note:

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

11. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / loss for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period amounting to 17,205,438 ordinary shares (2021: 17,205,438).

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

| | Group | |
|---|-------------------------------------|----------------------------|
| | 30 June 2022 RMB'000 | 30 June 2021 RMB'000 |
| Profit for the period attributable to owners of the Company | 19,277 | 5,946 |
| | No. of shares '000 | No. of shares '000 |
| Weighted average number of ordinary shares for basic and diluted earnings/ (loss) per share computation | 17,205 | 17,205 |

Note: Basic earnings / (loss) per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2021: 17,205,438).

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

| | <u>Group</u> | |
|--|-----------------|-----------------|
| | 30 June 2022 | 30 June 2021 |
| Basic and diluted earnings per share (RMB per share) | <u>1.12</u> | <u>0.34</u> |

12. NET ASSET VALUE PER SHARE

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------|---------------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 | 30 June 2022 | 31 December 2021 |
| Net asset value per share based on issued share capital at the end of the period (in RMB) | <u>32.4</u> | 31.6 | <u>34.4</u> | 34.2 |

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

13. DIVIDENDS

No interim dividend for the half year ended 30 June 2022 (30 June 2021: Nil) is recommended as the Group intends to conserve cash for its operational needs.

14. PROPERTY, PLANT AND EQUIPMENT

During the half year ended 30 June 2022, the Group acquired assets amounting to RMB51.2 million (30 June 2021: RMB 32.7 million).

15. INVENTORIES

| | <u>Group</u> | |
|------------------|----------------------------|--------------------------------|
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Raw materials | 16,245 | 17,715 |
| Work-in-progress | 18,947 | 10,293 |
| Finished goods | <u>26,962</u> | <u>24,283</u> |
| | <u>62,154</u> | <u>52,291</u> |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TRADE AND OTHER RECEIVABLES

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Trade receivables | 298,227 | 294,976 | - | - |
| Less: loss allowance | (50,107) | (58,525) | - | - |
| | 248,120 | 236,451 | - | - |
| Bills receivables | 8,010 | 7,349 | - | - |
| Other receivables | 19,883 | 6,947 | 2 | 2 |
| Amount due from subsidiaries (non-trade) | - | - | 248,677 | 250,683 |
| Total trade and other receivables | <u>276,013</u> | <u>250,747</u> | <u>248,679</u> | <u>250,685</u> |

Loss allowance

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|-------------------------|-----------------------------|
| At 1 January | 58,525 | 95,029 |
| Net (Reversal)/Charge for the financial period | (8,418) | (36,326) |
| Foreign exchange difference | - | (178) |
| | <u>50,107</u> | <u>58,525</u> |

16. PREPAYMENTS

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|-------------------------|-----------------------------|
| Advances to suppliers | 70,258 | 86,143 |
| Prepayment for property, plant and equipment | 8,968 | 30,624 |
| Prepaid operating expenses | 2,528 | 5,184 |
| | <u>81,754</u> | <u>121,951</u> |

17. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

| | <u>Group and Company</u> | | | |
|------------------------|--------------------------|------------------|--------------------------|------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | No. of shares '000 | Value RMB'000 | No. of shares '000 | Value RMB'000 |
| At 30 June/31 December | <u>17,205</u> | <u>772,574</u> | <u>17,205</u> | <u>772,574</u> |

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

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL AND TREASURY SHARES

(b) Treasury shares

| | <u>Group and Company</u> | | | |
|------------------------|--------------------------|------------------|-----------------------|------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | No. of shares '000 | Value RMB'000 | No. of shares '000 | Value RMB'000 |
| At 30 June/31 December | <u>277</u> | <u>6,408</u> | <u>277</u> | <u>6,408</u> |

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

19. TRADE AND OTHER PAYABLES

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Trade payables | 21,972 | 15,290 | - | - |
| Bills payables to banks | 112,041 | 121,248 | - | - |
| Amounts due to directors (non-trade) | 3,137 | 2,445 | 570 | 7,102 |
| Total trade and other payables | <u>137,150</u> | <u>138,983</u> | <u>570</u> | <u>7,102</u> |

20. OTHER LIABILITIES

| | <u>Group</u> | | <u>Company</u> | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Contract liabilities – advances from customers | 59,303 | 60,584 | - | - |
| Accrued salary and bonuses | 33,723 | 36,936 | - | - |
| Other accruals | 24,647 | 14,526 | 2,053 | 1,070 |
| Total trade and other payables | <u>117,673</u> | <u>112,046</u> | <u>2,053</u> | <u>1,070</u> |

21. LOANS AND BORROWINGS

| | <u>Group</u> | |
|----------------------------|----------------------------|--------------------------------|
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Short-term bank loans: | | |
| Loan 1 | 108,500 | 102,500 |
| Loan 2 | 9,400 | 9,500 |
| Loan 3 | 13,266 | 26,597 |
| Loan 4 | 18,900 | 18,900 |
| Loan 5 | 9,400 | - |
| Total loans and borrowings | <u>159,466</u> | <u>157,497</u> |

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. LOANS AND BORROWINGS (CONTINUED)

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

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

- 4 This loan is guaranteed by personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party – Mr. Wu Yuan Yang and corporate guarantee from an independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 5 This short-term bank loan is secured by bank deposits of Jinjiang Fuxing Dress Co., Ltd, and certain land use rights and buildings owned by Fulong Zipper and Weaving Co., Ltd, located at Donghaian Comprehensive Development Zone, Shenhui Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related parties – Mr. Hong Qing Liang (Executive Chairman and CEO) and Ms. Shi MeiMei.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 30 June 2022 and 31 December 2021. The short-term loans bear interest ranging from 2.1% to 7.4% (31 December 2021: 2.1% to 7.4%) and are repayable within 12 months.

22. CAPITAL COMMITMENTS

| | 30 June 2021 | Group 31 December 2021 |
|--|-------------------------|---------------------------------------|
| | RMB'000 | RMB'000 |
| Commitments for the acquisition of property, plant and equipment | - | 18,387 |
| Prepayment (excluding value added tax) | 8,968 | 55,006 |
| Total cost of property, plant and equipment | 8,968 | 73,393 |

23. SUBSEQUENT EVENTS

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

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of the financial position of Fuxing China Group Limited and its subsidiaries as at 30 June 2022 and the related consolidated profit or loss and other comprehensive income consolidated statement of changes in equity and consolidated statement of cash flows for the half year then ended and certain explanatory notes have not been audited or reviewed

2. Review of performance of the Group

Revenue

The Group's revenue increased by RMB75.0 million (or 22%) to RMB416.2 million. This was mainly due to the increase in the sales of the Zipper segment (RMB40.8 million) and Trading segment (RMB35.6 million). The increase was partially offset by the decrease in the Processing segment (RMB1.4 million).

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

The increase in revenue from Zipper segment for 1H2022 was mainly attributable to the effort of the sales department which has successfully increased the customer base, and the improvement of product quality after automation.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance with the customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the sales volume and profit margin are dependent on the customers' demand. The increase in revenue from the Trading segment was mainly due to the increase in sales volume during 1H2022 as the result of increased demand.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB4.3 million (or 15%) to RMB32.7 million, mainly due to the increase in gross profit from the Zipper segment.

Average gross profit margin decreased by 0.45 percentage points to 7.9% mainly due to the decrease in gross profit margin from the Processing segment as the result of the increased production costs eg. environmental protection costs in compliance with the tougher environmental laws.

Other income and expenses

Other income comprises government subsidies, sales of scrap materials, net foreign exchange gain, rental and management fee income. Other expenses comprised loss on disposal of property, plant and equipment.

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

Selling and distribution expenses

Selling and distribution expenses decreased by RMB0.1 million (or 2%) to RMB4.1 million

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

mainly due to the decrease in salaries as the result of restructuring of the sales department.

General and administrative expenses

General and administrative expenses remained flat as compared to 1H2021 mainly attributable to effective cost control measures.

The reversal of allowance for doubtful trade receivables amounted to RMB8.4 million arose from the settlement of long outstanding balances by customers.

The written back of allowance for advances to suppliers amounted to RMB1.7 million following the receipt of raw materials in 1H2022.

Finance income and expenses

Finance expenses increased by RMB0.3 million to RMB4.8 million. This was mainly due to the new short-term bank loans obtained in 1H2022.

Finance income increased by RMB69 thousand (or 14%) to RMB0.6 million, mainly due to the increase in cash and bank balances on the back of improvement in collection of trade receivables.

FINANCIAL POSITION

Non-current assets

As at 30 June 2022, non-current assets amounted to RMB368.8 million comprising property, plant and equipment and land use rights.

The Group's property, plant and equipment amounted to RMB344.1 million, an increase of 8% (or RMB26.3 million) compared to RMB317.8 million as at 31 December 2021. The increase was mainly due to the acquisition of automatic plant and machineries during 1H2022.

Current assets

As at 30 June 2022, current assets amounted to RMB626.0 million, decreased by 1% (or RMB6.0 million) compared to RMB632.0 million as at 31 December 2021. This was largely due to a decrease in prepayments following the utilization of raw materials and recognition of prepayment for the purchase of fixed assets to property, plant and equipment during 1H2022.

Inventories increased by RMB9.9 million (or 19%) to RMB62.2 million as the Group changed its holding of raw materials production requirement from 2 months as at 31 December 2021 to 3 months after factoring in the anticipated sales and production levels for the next few months.

Assets held for sale represented the remaining office units on levels 2 to 4 and car parks at Xiamen HQ. Under SFRS5, "Non-current Assets Held for Sale and Discontinued Operations", the remaining office units and car parks at Xiamen HQ are available for sale upon receipt of buyers' offers.

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

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

Cash and bank balances decreased from RMB168.4 million to RMB167.5 million, mainly due to the payment for acquisition of automatic plant and machineries during 1H2022.

Current liabilities

As at 30 June 2022, total current liabilities were RMB418.3 million, an increase of 1% (or RMB6.0 million) compared to RMB412.3 million as at 31 December 2021. This was mainly attributable to the increase in short-term bank loans and other liabilities.

The short-term bank loan increased by RMB2.0 million (or 1%) to RMB159.5 million as at 30 June 2022 compared to RMB157.5 million as at 31 December 2021. This was mainly due to the new short-term bank loans obtained during the 1H2022.

The amount due to a director was payment made by Mr Hong Qing Liang on behalf of the Company for professional fees and expenses, eg. audit fee, listing expenses for the secondary listing, etc incurred by the Company. There is no fixed payment schedule for the personal loans from Mr. Hong Qing Liang who had agreed that all his personal loans granted shall be interest free.

Non-current liabilities

Non-current liabilities comprised of deferred tax liabilities. The decrease in deferred tax liabilities was mainly due to the deferred tax charge in 1H2022 as explained above under the note (10) for income tax expense.

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 1H2022 amounted to RMB26.8 million compared to amounted RMB50.0 million in 1H2021. This was mainly due to the increase in trade and other receivables.

Investing activities

Net cash flows used in investing activities in 1H2022 amounted to RMB23.3 million compared to RMB30.5 million in 1H2021. This was mainly due to the decrease in purchase of plant and machineries and increase in proceeds received from the disposal of property, plant and equipment during 1H2022.

Financing activities

Net cash flows generated from financing activities in 1H2022 amounted to RMB21.2 million compared to RMB33.8 million used in 1H2021. This was mainly due to the reduction of fixed deposits pledged as at 30 June 2022.

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

The performance for 1H2022 is in line with the Company's commentary under paragraph 10 on page 28 of its results announcement released to SGX-ST on 28 February 2022.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

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

The Group recorded improvements in sales and gross profit in 1H2022 compared to the corresponding period last year. Despite the recent COVID-19 resurgence in the PRC, the Group is cautiously optimistic that the improvement in sales in 1H2022 would continue in the second half of 2022. For the next 12 months, the Group expects cost pressure arising from the increased production costs in current inflationary environment to continue to exert pressure on its gross profit margin. As such, the Group is currently automating its manufacturing process progressively to mitigate the above mentioned cost pressure. The Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customer segment. In addition, the Group will be keeping a tight rein over its operating cost and monitoring its receivables and collections closely.

Update on impact of COVID-19 pandemic on the Group's operations in PRC

PRC saw rises in COVID-19 cases in certain cities due to the spread of the Omicron variant. To-date, the COVID-19 situation in Jinjiang City, Fujian Province is under control. The Group is currently operating at normalcy without any disruption in production and operations.

Update on utilisation of proceeds from the Disposal of Xiamen HQ

As announced on 16 June 2021, the Group has completed the disposal of all units of the Disposal of Xiamen HQ (the "Disposal").

As at the date of this announcement, the net proceeds raised from the Disposal, after deducting the related costs and expenses, as set out in the circular to the Company's shareholders dated 2 November 2020 (the "Circular"), amounted to approximately RMB374.73 million. The updates on the utilisation of the net proceeds from the Disposal as disclosed in the Circular are as follows:

| Intended use of net proceeds as disclosed in the Circular (In RMB'000) | Amount allocated | Amount utilised | Balance to be utilised |
|--|------------------|-----------------|------------------------|
| Repayment of bank borrowings including the mortgage loan for the office building | 170,000 | 170,000 | - |
| Automation plan to upgrade and replace its machineries | 110,000 | 110,000 | - |
| Working capital | 71,731 | 71,731 | - |
| Repayment of director's loans | 23,000 | 19,300 | 3,700 ⁽¹⁾ |
| Total | 374,731 | 371,031 | 3,700 |

Note:

1. The Company has confirmed with Mr Hong Qing Liang that the residual balance of RMB3.7 million due to him will be allotted to the purchase of machineries.

5. Dividend information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

6. Interested person transactions

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

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

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

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2022 to be false or misleading in any material aspect.

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

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 12 August 2022