福兴集团
FUXING GROUP

FUXING CHINA GROUP LIMITED

ANNUAL REPORT 2014

# Zipper



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# Corporate Profile




The Group's zipper products are sold mainly to PRC manufacturers of apparel and footwear products, camping equipment, bags, upholstery furnishings, trading companies as well as other zipper manufacturers in the PRC which further process into customised zipper products.

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

Since its establishment in 1993, Fuxing China has built up a credible track record and market reputation, having garnered over 20 awards in the past 10 years. Its proprietary "3F" brand has been named the **"Symbolic Brand of China" (中国标志性品牌)** by First Chinese Well-Known Brand Conference in 2006 and **"PRC Top 10 Famous Zipper Brands" (中国拉链十大知名品牌)** by the Hardware Association of the PRC in 2005. In January 2007, Fuxing China's products were awarded the Intertek Eco-Certification, which allows the Group's products to be sold in the international markets. Today the Group's zipper products are exported to Australia, the EU, Russia, Turkey, Korea, Thailand, Vietnam, Indonesia and many other countries. In 2008, the Group expanded its production facilities to Shanghai and Qingdao to develop new customer base and to be nearer to its existing customers there.

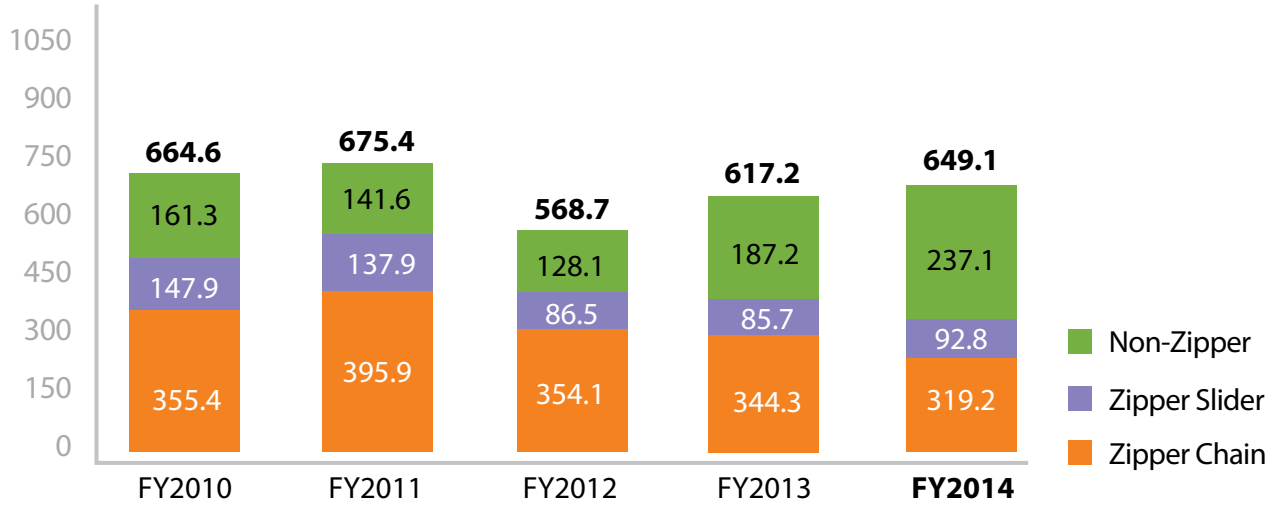
More notably, in 2008, Fuxing China was named one of the 200 companies in Forbes Asia's Fourth Annual Best Under a Billion List, which focuses on Asia Pacific companies with under $1 billion in sales.

To ensure continual innovation in product quality and improved efficiency, Fuxing China places strong emphasis on product and technical R&D. The Group has a research partnership with the Software Institute of Xiamen University with the aim of enhancing production efficiencies and automation in the manufacturing of zipper products. As a testament of its strength in R&D, Fuxing China's R&D facility was certified as a **"Fujian Provincial Level Enterprise Technology Center"** in December 2006. The Group has been granted 18 design patents, 12 utility patents, 2 invention patent, in October 2009, the Group was awarded the **"New and High Technology Enterprise"** by Fujian Provincial Government. In 2011, the group successful acquired 3 new subsidiaries and a plot of commercial land in Xiamen to develop a headquarter.

# Performance Benchmarks at a Glance

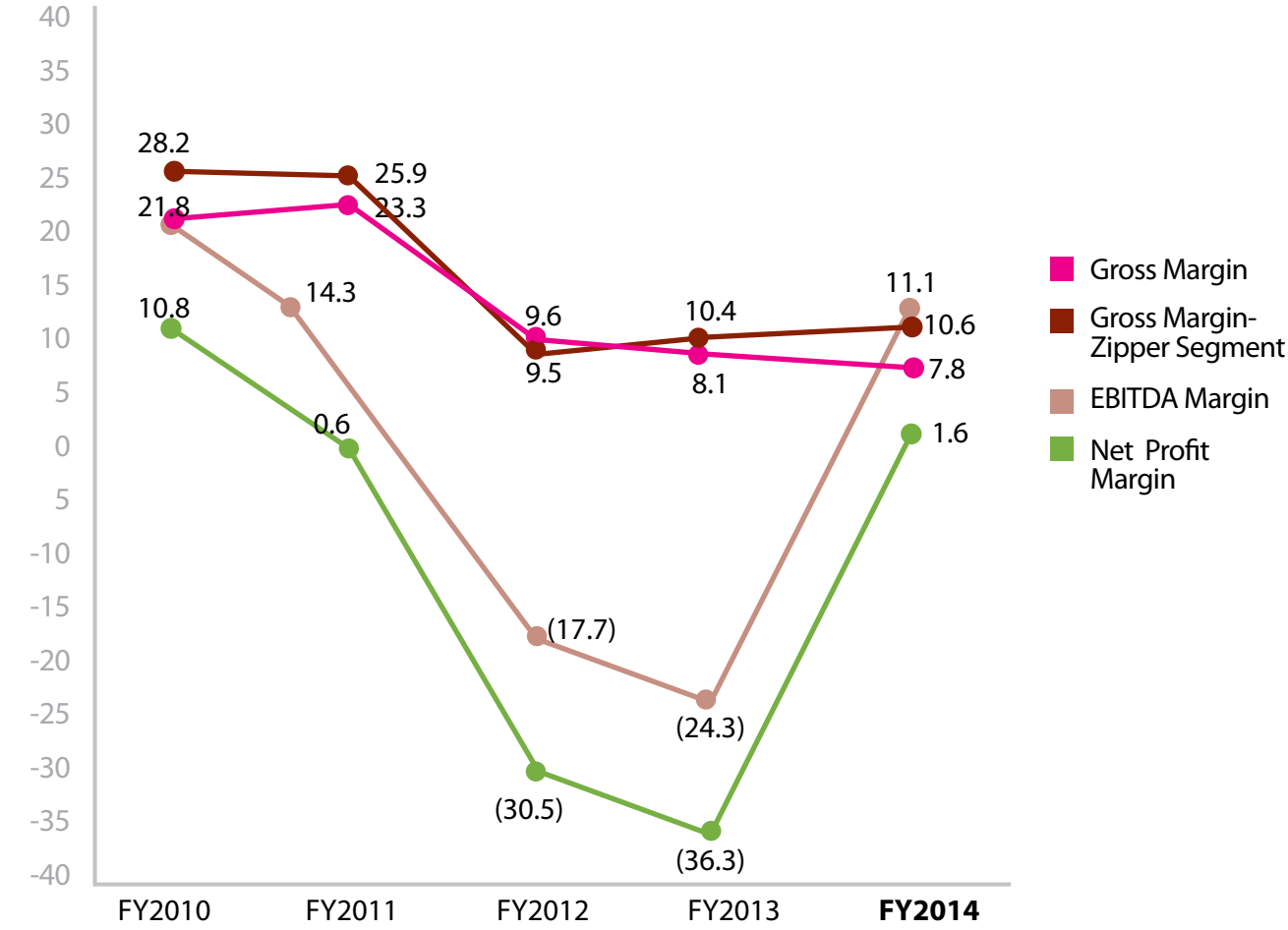
## Revenue Breakdown

RMB' million



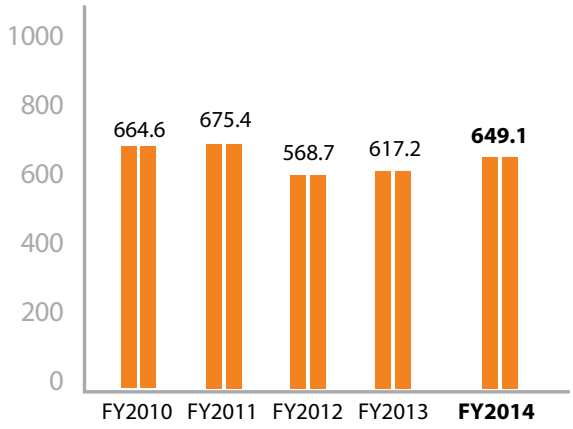

## Margin Trends

%



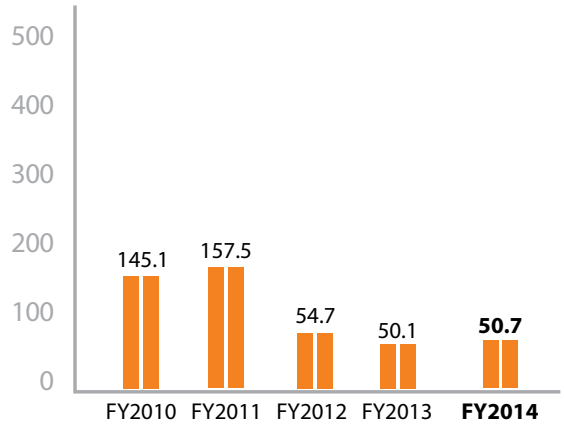
## Revenue

RMB' million



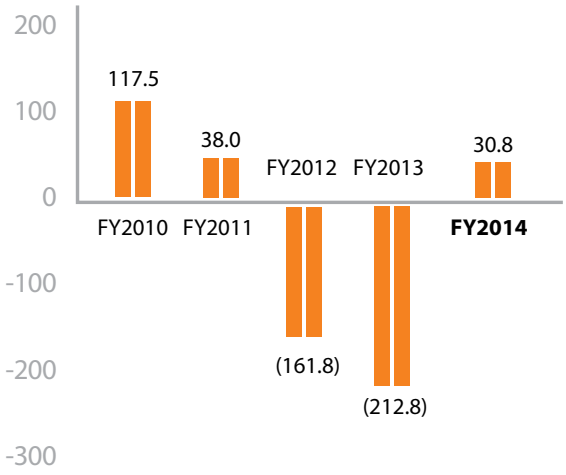

## Gross Profit

RMB' million



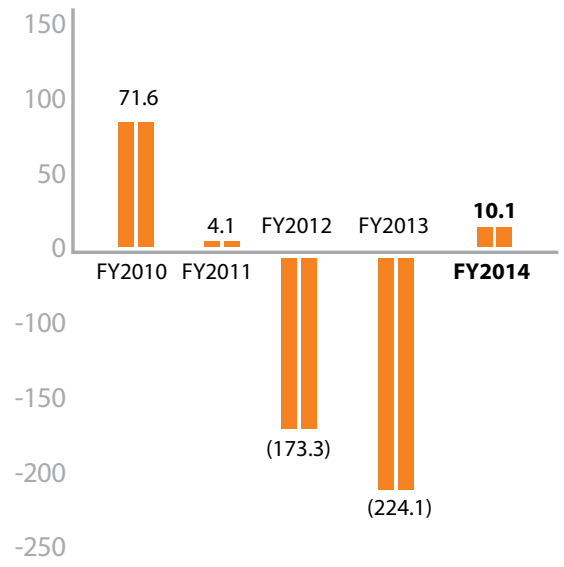

## (Loss)/Profit from Operations

RMB' million



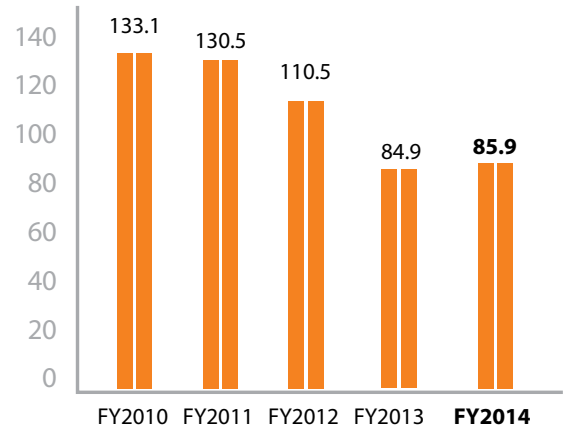

## (Loss)/Net Profit

RMB' million



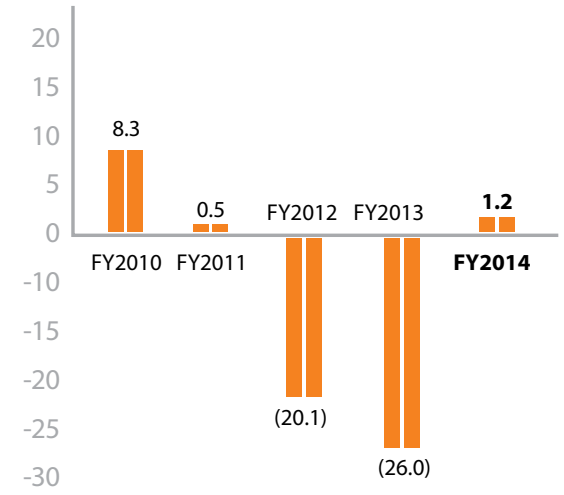

## NAV Per Share

RMB cents




## (Loss)/Earnings Per Share

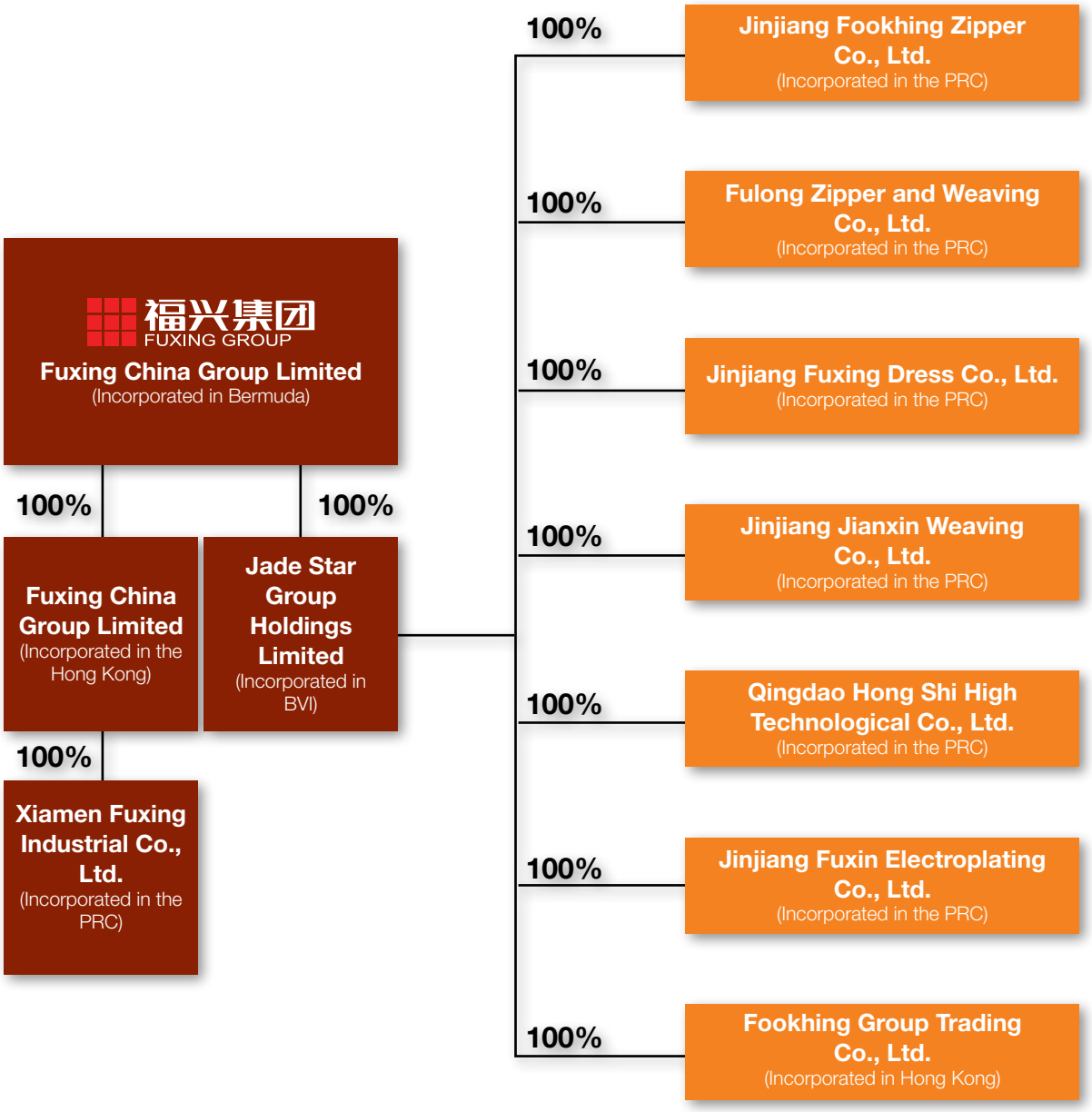
RMB cents



# 5 Years Financial Summary

| GROUP BALANCE SHEET<br>As At 31 December (RMB'000) | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Property, plant and equipment | 323,935 | 324,850 | 359,114 | 301,169 | 203,502 |
| Other non-current assets | 331,854 | 272,449 | 516,656 | 564,616 | 157,202 |
| Current assets | 772,405 | 677,722 | 537,649 | 491,405 | 974,464 |
| Current Liabilities | (629,322) | (492,303) | (407,385) | (181,464) | (151,634) |
| Net current assets | 143,083 | 185,419 | 130,264 | 309,941 | 822,830 |
| Non-current liabilities | (59,758) | (52,676) | (55,316) | (52,851) | (38,347) |
| | | | | | |
| Share capital | 772,574 | 772,574 | 772,574 | 772,574 | 772,574 |
| Treasury shares | (6,408) | (6,408) | (6,408) | (6,408) | (6,408) |
| Reserves | (27,049) | (36,124) | 184,552 | 356,709 | 379,021 |
| Total Equity | 739,117 | 730,042 | 950,718 | 1,122,875 | 1,145,187 |
| | | | | | |
| **GROUP PROFIT & LOSS**<br>Year Ended (RMB'000) | | | | | |
| Revenue | 649,088 | 617,207 | 568,685 | 675,408 | 664,563 |
| Gross Profit | 50,724 | 50,085 | 54,698 | 157,506 | 145,099 |
| Other operating income | 33,676 | 29,908 | 52,330 | 6,674 | 10,223 |
| Earnings before interest, tax, depreciation & amortisation (EBITDA) | 71,795 | (149,895) | (100,401) | 96,611 | 143,397 |
| Depreciation and amortisation | (38,939) | (60,818) | (60,025) | (56,703) | (24,351) |
| Interest expense | (11,935) | (7,895) | (4,838) | (3,120) | (3,720) |
| (Loss)/Profit from operations | 30,783 | (212,754) | (161,776) | 38,011 | 117,509 |
| (Loss)/Profit before income tax | 20,921 | (218,608) | (165,264) | 36,788 | 116,509 |
| Income tax expense | (10,782) | (5,505) | (8,012) | (32,668) | (43,729) |
| (Loss)/Profit from continuing operations, net of tax | 10,139 | (224,113) | (173,276) | 4,120 | 72,780 |
| Discountinued operations (net of tax) | – | – | – | – | (1,183) |
| Net (Loss)/Profit attributable to shareholders | 10,139 | (224,113) | (173,276) | 4,120 | 71,597 |
| | | | | | |
| **ANALYSIS (%)**<br>Year | | | | | |
| Gross profit margin-zipper segment | 10.6% | 10.4% | 9.5% | 25.9% | 28.2% |
| Gross profit margin | 7.8% | 8.1% | 9.6% | 23.3% | 21.8% |
| PBT margin | 3.2% | (35.4%) | (29.1%) | 5.4% | 17.5% |
| Revenue growth | 5.2% | 8.5% | (15.8%) | 1.6% | 44.8% |
| Operating profit growth | NM | NM | NM | (67.7%) | 102.9% |
| Net profit growth | NM | NM | NM | (94.2%) | 133.1% |
| | | | | | |
| Note:<br>NM: Not meaningful. | | | | | |
| | | | | | |
| **PER SHARE DATA**<br>(RMB cents, unless otherwise stated) | | | | | |
| Net earnings (basic)[1] | 1.2 | (26.0) | (20.1) | 0.5 | 8.6 |
| Net earnings (fully diluted)[2] | 1.2 | (26.0) | (20.1) | 0.5 | 8.3 |
| Net asset value[3] | 85.9 | 84.9 | 110.5 | 130.5 | 133.1 |
| | | | | | |
| Number of shares used in the above computation ('000) | 860,272 | 860,272 | 860,272 | 860,272 | 831,237 |
| Number of shares used in the above computation ('000) | 860,272 | 860,272 | 860,272 | 860,272 | 862,099 |
| Number of shares used in the above computation ('000) | 860,272 | 860,272 | 860,272 | 860,272 | 860,272 |
| | | | | | |
| Note:<br>Number of shares were calculated on weighted average. | | | | | |
| | | | | | |
| **FINANCIAL RATIOS** | | | | | |
| Current Ratio (times) | 1.2 | 1.4 | 1.3 | 2.7 | 6.4 |
| Acid-test ratio | 1.1 | 1.2 | 1.2 | 2.3 | 6.1 |
| Average receivable turnover (days) | 130 | 111 | 95 | 89 | 100 |
| Average payables turnover (days) | 4 | 7 | 11 | 8 | 5 |
| Average inventory turnover (times) | 40 | 39 | 49 | 48 | 33 |
| Return on equity (%) | 1.4% | (30.7%) | (18.2%) | 0.4% | 6.3% |
| Return on assets employed (%) | 0.7% | (17.6%) | (12.3%) | 0.3% | 5.4% |
| Debt/equity ratio | 34.4% | 19.6% | 12.3% | 6.6% | 6.9% |
| Interest cover (times) | 2.8 | (26.7) | (33.2) | 12.8 | 32.3 |

# Group Structure






# Chairman's Message



## Dear Shareholders,

On behalf of the Board of Directors, I present the results of Fuxing China Group Limited ("Fuxing" or together with its subsidiaries, the "Group") for the financial year ended 31 December 2014 ("FY2014").

After 2 years of consecutive losses, the Group managed to record a profit after tax of RMB10.1 million for FY2014 on lower general and administrative expenses and higher other income.

## Review of Financial Performance

The Group's revenue increased by RMB 31.9 million (or 5%) to RMB 649.1 million. This was mainly due to the increase in sales of the Zipper Slider segment (RMB 7.1 million), the Trading segment (RMB 53.9 million) and the Processing segment (RMB 5.0 million). The increase was partially offset by the decrease in revenue contributions from the Zipper Chain segment (RMB 24.1 million).

The increase in revenue from the Zipper Slider segment and the Processing segment was attributable to the development of more sales channels during the year which led to an increase in sales orders from new customers. The decrease in revenue from the Zipper Chain segment was attributable to a deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy.

The Group's gross profit increased marginally by RMB 0.6 million (or 1%) to RMB 50.7 million. The increase was mainly due to the higher profit margin from the Processing segment and also the increase in sales from the Trading segment. Average gross profit margin decreased by 0.3 percentage points to 7.8% mainly due to the increase in raw materials cost in the Zipper Slider segment.

General and administrative expenses decreased by RMB 201.4 million (or 81%) to RMB 46.5 million. This was mainly due to the RMB18.1 million decrease in amortization of intangible assets expense on lower intangible assets in FY2014 and the RMB6.1 million decrease in allowance for doubtful trade receivables. In addition, there was an absence of impairment of intangible assets of RMB175.0 million and written down of inventory of RMB3.0 million in FY2014.

Other income increased by RMB 3.8 million to RMB 33.7 million mainly due to the higher gain from fair valuation of investment property of RMB 19.7 million recorded in FY2014 compared to RMB10.1 million fair valuation gain in FY2013. Other income in FY2013 included a gain on disposal of a subsidiary (RMB 11.9 million) which was absent in FY2014.

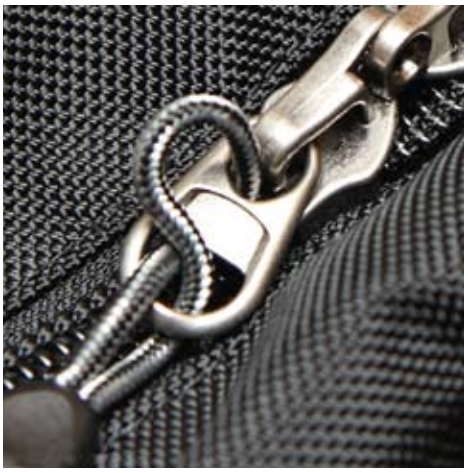
As a result of the above mentioned factors, the Group ended the year with a profit after tax of RMB 10.1 million.

## Review of Financial Position

As at 31 December 2014, non-current assets amounted to RMB 655.8 million comprising property, plant and equipment, investment property, land use rights, prepayment and intangible assets.

The Group's property, plant and equipment amounted to RMB 323.9 million, a decrease of RMB 0.9 million compared to RMB 324.9 million as at 31 December 2013. The decrease was due mainly to depreciation expenses but this was partially off set by the purchase of new property, plant and equipment following the automation of its production process.

As at 31 December 2014, the investment properties represented the recognition of the construction cost of the Group's Xiamen Headquarter project ("HQ Project") under





FRS40 - "Investment property is property held to earn rentals or for capital appreciation or both." The increase in investment properties from RMB234.9 million in FY2013 to RMB297.9 million in FY2014 were due to the RMB43.3 million construction costs incurred and the fair value gain of RMB19.7 million arising from the valuation assessment conducted by an independent valuer.

As at 31 December 2014, current assets amounted to RMB 772.4 million, an increase of 14% (RMB 94.7 million) compared to RMB 677.7 million as at 31 December 2013. This was attributable to the increase in inventories, trade and other receivables, prepayments, cash and bank balances.

Trade and other receivables increased by RMB 54.1 million from RMB 215.5 million to RMB 269.6 million due to extension of credit periods granted to some long time customers in order to retain their orders. The increase in prepayments to suppliers was mainly due to the increase in advances made to certain suppliers to secure the supply of raw materials.

Cash and bank balances increased from RMB 253.0 million to RMB 285.7 million mainly due to the increase in short-term bank loans.

As at 31 December 2014, total current liabilities were RMB 629.3 million, an increase of 28% (or RMB 137.0 million) compared to RMB 492.3 million as at 31 December 2013. This was mainly attributable to the increase in other payables and accruals, short-term bank loans, amount due to a Director, and bank overdrafts, which was partially offset by the decrease in trade payables, and bills payable to banks.

Trade payables decreased by RMB 2.7 million due mainly to the increase in usage of bills payable during FY2014. Bills payable to banks decreased by RMB 15.9 million mainly due to the settlement of some bills payables during the year. The other payables and accruals increased by RMB 24.4 million to RMB 109.2 million was due mainly to the accrual of the construction costs for the building of the HQ Project.

Short-term bank loans increased by RMB 94.5 million (or 66%) to RMB237.2 million mainly due to the RMB 60 million increase in bank loans to fund the construction costs for the HQ Project.

## Review of Cash Flows

*Operating activities*

Net cash flows used in operating activities in FY2014 amounted to RMB 9.2 million while net cash flows generated from operating activities in FY2013 amounted to RMB 2.3 million. This was mainly due to the increase in bills receivables and the decrease in trade and bills payables.

*Investing activities*

Net cash flows used in investing activities in FY2014 amounted to RMB 77.8 million due to RMB34.5 million purchase of property, plant and equipment and RMB43.3 million incurred on the construction of investment properties. Net cash flows generated from investing activities in FY2013 amounted to RMB 26.6 million was mainly due to proceeds from disposal of investment properties in 4Q2013.

*Financing activities*

Net cash flows generated from financing activities in FY2014 amounted to RMB 102.6 million compared to RMB 45.7 million in FY2013 was mainly due to additional short-term bank loans obtained.

## On-going actions for 2015

- Enhancing "3F" brand name – through advertisements in selective trade journals and participation in trade exhibitions to reinforce the key message of *3F – Quality First, Customer First, Service First*

# Chairman's Message

- HQ Project –the Group is currently developing the parcel of commercial land (total floor area of 51,612 sq m) in Xiamen Island into an office building to house the Group's new Administrative Headquarter and to lease out the excess space for rental income.

## Outlook

The Group expects the zipper industry to remain highly challenging and competitive, with keen market competition and rising labour costs in China. These factors would continue to impact on the Group's performance and its prospects in the near term. As such, the Group will continue to step up its sales and marketing efforts, enhance its operational efficiency of its plants through automation of its production processes. The Group will also reduce its discretionary costs across all operations, so as to operate on a leaner cost structure.

The HQ Project is currently undergoing construction and targeting to complete in June 2016. Upon the completion of the HQ Project, the Group will rent out the space in excess of its requirement, thereby broadening its income base with rental income.

## In Appreciation

On behalf of the Board, I would like to express our sincere appreciation to our customers, suppliers and business partners for their continuous trust and support. I would also like to thank Mr Ho Kang Peng and Mr Ong Hwee Li for their contributions and guidance during their tenure and welcome Mr Lim Cheng Kee, an Independent Director, who was appointed on 23 May 2014 to the Board.

The Board would also like to thank the management and staff for their hard work and commitment to the Group. I also wish to express my gratitude to our fellow Directors for their invaluable advice and contribution throughout the year.

Last but not least, I would like to thank all of you, our shareholders, for your continued support and belief in the Group.

**Mr Hong Qing Liang**
*Executive Chairman and CEO*
*April 2015*

# 主席致词

各位尊敬的股东们,

我谨代表董事会，在此发布福兴中国集团（“福兴”或连同子公司，“集团”）截至2014年12月31日财年（“2014财年”）的业绩。

经过2年的连续亏损，集团通过较低的一般及行政开支以及较高的其他收入，达到人民币1010万元的税后利润。

## 业绩回顾

集团的收入增加了人民币3190万元（或上涨了5%）至人民币6.491亿元。这主要是由于码装业务销售额的增加（人民币710万），贸易业务销售额的增加（人民币5390万）以及加工业务销售额的增加（人民币500万）。增加的部分被拉头业务销售额的减少（人民币2410万）所部分抵消。码装业务及加工业务收入增加主要是由于集团的销售部门通过努力开发新客户渠道使得新客户的销售订单增加。拉头业务销售收入的减少主要是由于在全球经济普遍放缓的影响下，中国拉链行业市场不断恶化。

集团的毛利增加了人民币60万元（或上涨了1%）至人民币5070万元。毛利增加主要是由于加工业务利润的增加以及贸易业务销售额的增加。平均毛利率下降了0.3个百分点至7.8%，主要是由于码装业务毛利率的下降。主要原因是码装业务原材料成本的增加。

一般及行政开支下降了人民币2.014亿元（或下降了81%）至人民币4650万元，这主要是由于2014年基于较低的无形资产，无形资产摊销费用减少了人民币1810万元以及应收账款的坏账准备减少了人民币610万元。同时，2014年也不存在人民币1.75亿元的无形资产减值准备以及人民币300万元的存货减值准备。

其他收入增加了人民币380万元至人民币3370万元，主要是由于相对于2013年的投资性房地产公允价值收益人民币1010万元，2014年投资性房地产公允价值的收益更高，为人民币1970万元。2013年的其他收入包含出售子公司所得的收益（人民币1190万元），而2014年则没有。

鉴于上述因素，集团在年终税后利润为人民币1010万元。

## 财务状况回顾

截至2014年12月31日，非流动资产总额为人民币6.558亿元，包括物业、厂房及设备，投资物业，土地使用权，预付款及无形资产。

集团的物业、厂房及设备总额为人民币3.239亿元，相比于2013年的人民币3.249亿元，下降了人民币90万元。下降的主要原因是折旧费用，但部分被年内通过购买新的物业、厂房及设备来自动化其生产过程带来的总额增加所抵消。

截至2014年12月31日，依据财务报告准则40 – “投资物业是用以赚取租金或资本增值,或同时以上述两项为目的的物业”所列，集团投资物业体现在厦门总部项目的建设成本上。投资物业从2013年的人民币2.349亿元增加至2014年的人民币2.979亿元，主要是由于人民币4330万元的建设成本及由独立评估师进行估值的人民币1970万元的公允价值变动收益。

截至2014年12月31日，流动资产总额为人民币7.724亿元，相对于截至2013年12月31日的人民币6.777亿元，上涨了14%（或增加了人民币9470万元）。这主要是由于库存、应收账款及其他应收款、预付款项、现金和银行存款的增加。

应收账款及其他应收款从人民币2.155亿元增加了人民币5410万元至人民币2.696亿元，主要是由于与一些老客户的信贷期延长以留住订单。向供应商预付款项增加主要是由于向若干供应商的预付款增加，以确保原料的供应。

现金及银行存款从人民币2.53亿元增加至人民币2.857亿元，主要是由于短期银行贷款的增加。

截至2014年12月31日，流动负债总额为人民币6.293亿元。流动负债从截至2013年12月31日的人民币4.923亿元，上涨了28%（或增加了人民币1.37亿元）。主要是由于其他应付款和计提、短期银行贷款、应付董事以及银行透支的增加，这部分被应付账款和应付银行票据的减少所抵消。

应付账款减少了人民币270万元主要是由于2014年应付票据的增加。应付银行票据减少了人民币1590万元主要是由于年内结算了一些应付票据。其他应付款和计提增加了人民币2440万元至人民币1.092亿元主要是由于集团厦门总部大楼的建设成本。

银行短期贷款增加了人民币9450万元（或上涨了66%）至人民币2.372亿元主要是由于人民币6000万元的银行贷款用于资助集团厦门总部大楼的建设成本。

## 现金流量回顾

### 经营活动

2014年在经营活动中使用的净现金流量总额为人民币920万元，而2013年来自经营活动中的现金流总额为人民币230万元。增加的主要原因是应收票据的增加，应付账款和应付票据的减少。

### 投资活动

2014年在投资活动中使用的净现金流量总额为人民币7780万元，主要是由于购买物业、厂房及设备花费人民币3450万元以及建设投资物业花费人民币4330万元。2013年来自投资活动中的净现金流量总额为人民币2660万元，主要是由于2013年第四季度出售投资物业的收益。

### 融资活动

相对于2013年的人民币4570万元，2014年来自融资活动的净现金流量总额为人民币1.026亿元，主要是由于获得了新的银行短期贷款。

## 2015年的计划

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

新的行政总部---集团正开发在厦门岛的商业用地（总面积为51,612平方米）为办公大楼，作为集团新的行政总部，并将剩余的空间用于出租以赚取租金收入。

## 展望未来

集团预计在短期内激烈的市场竞争和中国劳动力成本的上升将继续影响集团及其发展前景。集团将继续通过开发新的客户渠道来加强其销售及营销能力。集团亦将继续通过加强生产流程自动化来提高其工厂的运营效率，从而缓解需求疲软对集团的利润带来的影响。集团将降低所有运营上的可降低成本，使集团在一个更精简节约的成本结构上运作。

集团的厦门总部物业目前正在建设中,计划于2016年6月完成。完成厦门总部物业之后，集团将租出多余空间以便有租金收入，从而扩大其收入的基础。

## 感谢

我们希望借此机会，对我们的客户、供应商和业务伙伴表达诚挚的谢意，感谢他们长久以来的信任和支持。我还要感谢何董事和黄董事在任职期间的贡献和指导，并欢迎于2014年5月23日新上任的林董事。感谢我们的董事和员工，感谢他们不屑努力尽职尽责为公司所做的贡献。

最后，我们也要感谢所有的股东们，谢谢你们的支持！

洪清凉先生
董事长兼行政总裁
2015年4月

# Board of Directors

## Mr Hong Qing Liang
Executive Director and Chief Executive Officer

Mr Hong Qing Liang is the Group's Co-Founder and Chief Executive Officer, and was appointed to the Board on 19 December 2006, and last re-elected on 26 April 2013. 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 Long Hu 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.

## Mr Hong Peng You
Director of Administration

Mr Hong Peng You is the Group's Director of Administration, and was appointed to the Board on 19 December 2006, and last re-elected on 27 April 2012. 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 admininistration 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.

## Mr Hong Shui Ku
Executive Director

Mr Hong Shui Ku is the Group's Executive Director, and was appointed to the Board on 11 May 2011. Mr Hong was last re-elected on 27 April 2012. He has a wealth of practical experience in the zipper business, having been in the zipper trade since 1980. He joined our Group in 1993 and is responsible for assisting our board in overseeing the overall operations and management in the Group. Prior to joining our 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 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. 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 PacificNational 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 and is currently a financial management consultant in a private investment company. Mr Lim graduated with a Bachelor of Commerce (Accountancy) from the former Nanyang University in 1978 and is a Fellow of the Institute of Chartered Accountants of Singapore. Mr Lim is also an Independent Director of P99 Holdings Limited and Fujian Zhenyun Plastics Industry Limited, all of which are companies listed on the SGX-ST.

## Dr Ho Kah Leong
Independent Director

Dr Ho Kah Leong is the Group's Independent Director and was appointed to the Board on 3 August 2007, and last re-elected on 26 April 2013. Dr Ho is also currently an Independent Director of Vicom Ltd, KOP Ltd, all of which are companies listed on the SGX-ST. Dr Ho was also the Independent Director 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 1964 and was conferred an honorary doctorate degree by Wisconsin International University, USA in 2001.

## 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 26 April 2013. Mr Qiu is currently 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.

# Key Management

## Mr Hong Shao Lin
General Manager

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

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

## Mr Hong Chun Jie
Vice President-Human Resource

Mr Hong Chun Jie is our vice president, responsible for the Human Resource Department and also overseeing the operations of the Research and Development Department for the Group. He joined the Group since the cofounding of the Group in 1992, served as the director of the Casting plant, responsible for factory operations. With the reorganization of the company, from 2000 to 2005, he took on the position of chairman's assistant. He later assumed the position of deputy director of the group in 2006, and was subsequently appointed as Vice President of the group on 24 September 2007.

## Mr Shen Shan Yang
Deputy General Manager

Mr Shen Shan Yang is our Deputy General Manager of the Production Department in Jinjiang Fuxing Zipper Co., Ltd. He Joined our Group in January 2014. He graduated from Nanchang University, major in Engineering Business Management and also furthered his studies at Peking University. After graduation, he spent 12 years working in SBS Zipper form 1998 to 2010, started his career as a grass-roots marketing staff, later assumed the position of general manager of production department. In 2011, with his extensive knowledge of zipper products and industry, he started his own business. In 2013 he got acquainted with our chairman and general manager and joined the Group.

## Mr Wang Yong
Production Manager

Mr Wang Yong is our Production Manager. He joined our Group in April 2013, responsible for our Group's Production and Operations. He studied Light chemical engineering and graduated from Anhui Electromechanical College in 1998. He started as Production welding worker and rose to the position of the leader of Welding workshop, then the supervisor of Welding workshop from 1998 to 2004 at Guangzhou Shenzhen Changhe Electronic Co., Ltd. Between 2004 to 2008, he served as production supervisor and then production manager for Xiamen Mingyi Food Co., Ltd. Between 2008 to 2013, he served as Deputy General Manager for Nan'an Yilida Mechanical Building Materials Development Co., Ltd, responsible for the company's production and sales.

## Mr James Ma Chor Lung
Chief Financial Officer

Mr James Ma is our Chief Financial Officer. He joined our Group in 2008 and is responsible for overseeing the finance, budget and internal control of the Group. He has close to 13 years of experience in the financial industry.

Mr Ma started his career as a staff accountant at CK Yau & Company in 2001. In June 2004, he joined Morison Heng, Certified Public Accounts as an Audit Semi-Senior.

In 2005, he joined Horwath Hong Kong CPA Limited and held the position of a Senior Associate. In June 2006, he took on the position of an assistant manager at Grant Thornton, CPA. Subsequently, he joined Shu Lun Pan Horwath Hong Kong CPA Limited in January 2008 where he was appointed Manager. Mr Ma graduated from Curtin University of Technology with a Master in Accounting degree.

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

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

## (A) BOARD MATTERS

Board's Conduct of Affairs

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

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

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

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

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

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

(e) declaring interim and final dividends;

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

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

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

The Board is supported by the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). Each Board Committee is chaired by an Independent Director and a majority of the members are Independent Directors. The composition and terms of references of each Board committees are described in this report. The Board accepts that while these Board committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas, the ultimate responsibility rests with the Board.

# Corporate Governance Report

The Board conducts regular scheduled meetings at least four times a year. These meetings are scheduled in advance to facilitate the individual Directors' planning in view of their on-going commitments. The Board will also meet as and when warranted by particular circumstances between the scheduled meetings. The Company's Bye-laws provide for meetings to be held via telephone and video conferencing.

Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

The Board has adopted internal control guidelines where appropriate delegation of authority has been given to Management to facilitate operational efficiency.

Within these guidelines, the Board approves transactions that exceed certain pre-determined thresholds.

Approval of the Board is required for any matters *inter alia* mergers and acquisition, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year results announcements, interested person transactions of a material nature and those matters which are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business. The Board believes that when taking decisions, all Directors of the Board act objectively and in the interests of the Company.

The number of Board meetings held during the year ended 31 December 2014 ("FY2014") and the attendance of each Board member at those meetings and the meetings of the various committees are disclosed as follows:

| Meeting of | Board | AC | NC | RC |
|---|---|---|---|---|
| **Total held in FY2014** | 4 | 4 | 1 | 1 |
| Hong Qing Liang | 4 | – | 1 | – |
| Hong Peng You | 4 | – | – | – |
| Hong Shui Ku | 3 | – | – | – |
| Ho Kang Peng[1] | 2 | 2 | 1 | 1 |
| Lim Cheng Kee[2] | 2 | 2 | – | – |
| Ho Kah Leong | 4 | 4 | 1 | 1 |
| Qiu Qing Yuan | 3 | 3 | 1 | 1 |
| Ong Hwee Li[3] | 3 | 3 | 1 | 1 |

**Notes:**

(1) Mr Ho Kang Peng resigned as Independent Director with effect from 23 May 2014.

(2) Mr Lim Cheng Kee was appointed as Independent Director with effect from 23 May 2014

(3) Mr Ong Hwee Li resigned as Non-executive Director with effect from 30 September 2014.

The Board is kept informed of the new updates regarding the amendments and requirements of the SGX-ST and other statutory and regulatory requirements from time to time. Relevant news releases issued by SGX-ST are also circulated to the Board for information.

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

Newly appointed Directors are briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. They will also have the opportunity to visit the Group's operational facilities and to meet with Management so as to gain a better understanding of the Group's business operations. For those who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing. Newly appointed Non-executive Directors are provided with a letter of appointment setting out their duties, obligations and terms of appointment. Executive Directors are provided with a service agreement setting out the Executive Directors' terms of office and term and conditions of appointment.

**Board Composition and Balance**

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

The Board is currently made up of six directors.

Executive Directors:

Hong Qing Liang - Chairman and Chief Executive Officer
Hong Peng You
Hong Shui Ku

Non-Executive Directors:

Ho Kah Leong ( Lead Independent Director)
Lim Cheng Kee (Independent Director)
Qiu Qing Yuan (Independent Director)

The present composition of the Board complies with the Code's guidelines that Independent Directors make up one-third of the Board. The size and composition of the Board are reviewed on an annual basis by the NC to ensure that it has an appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC strives to ensure that the size of the Board is conducive to discussions and facilitates effective decision-making.

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

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

The Independent Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

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

# Corporate Governance Report

**Chairman and Chief Executive Officer ("CEO")**

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

The roles of Chairman and CEO are currently held by Mr Hong Qing Liang. Although this is a deviation from the recommendation of the Code, the Board believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

In addition, in the People's Republic of China ("PRC"), the CEO of a company normally assumes the role that of an Executive Chairman. As the Group's business and operation are based in the PRC, Mr Hong Qing Liang's dual roles as Executive Chairman and CEO will enable the Group to conduct its business role efficiently and to ensure that the decision making process of the Group would not be unnecessarily hindered.

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

As such, the Board will not consider segregating the role of the Chairman and CEO at this moment. The NC will review the need to separate the roles from time to time and make its recommendation.

Dr Ho Kah Leong was appointed the Lead Independent Director on 23 May 2014. As the Lead Independent Director, Dr Ho is available to shareholders should they have any concerns or issues that cannot be appropriately dealt with by the Chairman, CEO or the Chief Financial Officer ("CFO").

As Chairman of the Board, Mr Hong Qing Liang bears responsibility for the effective working of the Board. He ensures that board meetings are held when necessary, sets the board agenda and that Directors are provided with complete, adequate and timely information. As CEO, he is responsible for the day-to-day management affairs of the Group. He also ensures that stipulated corporate policies are properly complied with.

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

**Board Membership**

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

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

The members of the NC are:

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

The principal functions of the NC are as follows:

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

(b) making recommendations to the Board on all Board appointments and re-elections to the Board;

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

(d) ensuring all Directors submit themselves for re-election at regular intervals;

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

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

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

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

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

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

The NC has adopted a process for the selection and appointment of new Directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The curriculum vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The NC will also meet with the potential candidate before making the nomination to the Board for appointment as director.

The independence of each Director is reviewed annually by the NC with reference to the guidelines set out in the Code, noting that the guidelines are an exhaustive list.

The NC had reviewed the independence of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan and had considered them to be independent. The Board concurred with the NC's views.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representation. In view of this, the NC having considered the confirmations received from Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan, concluded that such multiple Board representations do not hinder each Director from carrying out his duties as a Director of the Company. In consultation with the NC, the Board has prescribed that its Independent Directors may not hold more than five directorships in other public listed companies.

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

Mr Hong Peng You and Mr Hong Shui Ku will be retiring by rotation pursuant to the Company's Bye-law 86 at the forthcoming AGM and being eligible, will be offering themselves for re-election. Mr Lim Cheng Kee will be retiring pursuant to Bye-Law 85(6). All the retiring Directors have signified their consents for re-election.

The NC, having considered the attendance and participation of Mr Hong Peng You, Mr Hong Shui Ku and Mr Lim Cheng Kee at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended the re-election of Mr Hong Peng You, Mr Hong Shui Ku and Mr Lim Cheng Kee at the forthcoming AGM. The Board has accepted the NC's recommendation.

Each member of the NC shall abstain from voting on any resolution and making any recommendation and/or participating in respect of his own re-election as Director. Accordingly, Mr Lim Cheng Kee being interested, has abstained from all deliberations and decisions in respect of his own re-election.

**Board Performance**

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

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

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

For FY2014, the NC is generally satisfied with the Board and Board Committees performance evaluation results which indicated areas of strengths and those that could be improved further. No significant issues had been identified. The NC had discussed the results with Board members who agreed to work on areas that could be improved further.

**Access to Information**

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

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

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

Board and Board Committees papers are sent to Directors at least three working days before such meeting so that the Directors may better understand the matters prior to the meeting and discussions may be focused on questions that the Directors have on these matters.

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

The Company Secretaries provide secretarial support to the Board and at least one of them will attend Board meetings and ensure adherence to Board procedures and relevant rules and regulations which are applicable to the Company.

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

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

## (B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

The principal functions of the RC are as follows:

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

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

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

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

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

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

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

(c) undertake such other functions and duties as may be delegated by the Board.

The RC has access to expert professional advice if there is a need to consult externally and it takes into consideration the industry practices and norms in determining compensation.

**Level and Mix of Remuneration**

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

The remuneration packages are set such that the Directors are adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions. The remuneration policy adopted takes into account the individual's responsibilities, skills, expertise as well as the Group's performance.

The Chairman and CEO, Mr Hong Qing Liang's service agreement has an automatic one year renewal clause (unless otherwise terminated by either party giving not less than three months' notice to the other), comprises a salary and a performance bonus. The performance bonus is linked to the Group's performance which would be reviewed by the RC before submission to the Board for approval. As the Chairman and CEO is rewarded based on his achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, there are no "claw back" provisions in his service agreement. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of mis-statement of financial results or of misconduct resulting in financial loss to the Group.

The RC will carry out an annual review of the remuneration packages of the Executive Directors and key management personnel to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. For FY2014, the RC is satisfied with the remuneration packages of the Executive Directors and key management personnel and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly.

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

The RC had recommended to the Board an aggregate amount of S$116,000 as Directors' fees for the year ending 31 December 2015, payable half-yearly in arrears.

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

No Director is involved in the decision concerning his own remuneration. Each of Dr Ho Kah Leong, Mr Lim Cheng Kee and Mr Qiu Qing Yuan being RC members, abstained from deliberation and voting in respect of their own remuneration.

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

**Disclosure of remuneration**

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

The breakdown of each individual Director's remuneration for FY2014, is as follows:

| Name of Directors | Salary | Bonus | Director's fees | Other benefits | Total | Total remuneration (S$'000) |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | |
| Executive Chairman and CEO | | | | | | |
| Hong Qing Liang | 83 | 15 | 2 | – | 100 | 281 |
| Executive Directors | | | | | | |
| Hong Peng You | 84 | – | 16 | – | 100 | 31 |
| Hong Shui Ku | 84 | – | 16 | – | 100 | 31 |
| Independent Directors | | | | | | |
| Ho Kang Peng[1] | – | – | 100 | – | 100 | 15 |
| Ho Kah Leong | – | – | 100 | – | 100 | 41 |
| Lim Cheng Kee[2] | – | – | 100 | – | 100 | 22 |
| Qiu Qing Yuan | – | – | 100 | – | 100 | 23 |
| Non-executive Director | | | | | | |
| Ong Hwee Li[3] | – | – | 100 | – | 100 | 27 |

Notes :

(1) Mr Ho Kang Peng resigned as Independent Director with effect from 23 May 2014.

(2) Mr Lim Cheng Kee was appointed as Independent Director with effect from 23 May 2014

(3) Mr Ong Hwee Li resigned as Non-executive Director with effect from 30 September 2014.

Details of remuneration paid to top 5 key management personnel of the Group (who are not Directors or the CEO) for FY2014 are set out below:

| Name of key management personnel | Salary | Bonus | Other benefits | Total |
|---|---|---|---|---|
| | % | % | % | % |
| **Below S$250,000** | | | | |
| Hong Shao Lin<br>- General Manager | 100 | – | – | 100 |
| Wang Yong<br>- Production Manager | 100 | – | – | 100 |
| Huang Bao Long<br>- Technical Manager | 100 | – | – | 100 |
| James Ma<br>- Chief Financial officer | 100 | – | – | 100 |
| Hong Chun Jie<br>- Vice President - Human Resource | 100 | – | – | 100 |

The aggregate remuneration paid to the top 5 key management personnel (who are not Directors or the CEO) was S$212,100.

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

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

(ii) Ms Hong Yan Ru, daughter of Mr Hong Qing Liang, is employed as a Finance Manager in the Group's Finance Department; and

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

Each of the abovementioned employees' remuneration did not exceed S$50,000 during the year.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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

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

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

### Risk Management and Internal Controls

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

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

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

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

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

For FY2014, the Group's Internal Auditors were engaged to assist the CRO to review the Group's business and operational activities and identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. Significant matters arising from the report of the said review were presented to both the AC and Board. There were no material deficiencies arising from the review.

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

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

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

Based on the reviews conducted by the IA and external auditors, written assurance of Management, the Board is of the opinion (with the concurrence of the AC) that the internal controls and risk management systems addressing financial, operational, information technology controls and compliance risks were adequate. The IA would assist the Group to commence a formal review of the Group's information technology risks in FY2015.

**Audit Committee**

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

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

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

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

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

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

The AC performs the following functions:

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

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

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

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

(e) reviews and approves the appointment or re-appointment of internal and external auditors and matters relating to resignation or dismissal of the auditors;

(f) reviews interested person transactions;

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

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

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

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

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

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

For 2014, the AC has:

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

(ii) ascertained that both the internal and external auditors have had the full co-operation of Management in carrying out their audits of the Group. No non-audit services were rendered by the external auditors and the Auditors, Mazars LLP , have affirmed their independence in this respect. Audit services rendered by Mazars LLP amounted to S$240,000;

(iii) kept abreast of accounting standards and issues that could potentially impact financial reporting through quarterly updates and advice from the external auditors; (iv) confirmed that Company had complied with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. Mazars LLP, the appointed auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority and is an independent member of Mazars Group.

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

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

(v) reviewed interested person transactions on a quarterly basis.

The AC with the concurrence of the Board, had recommended the appointment of Mazars LLP as External Auditors of the Company at the forthcoming AGM.

The AC has also put in place a "whistle-blowing" policy on financial improprieties or other matters whereby staff of the Group and any other persons may raise in confidence and ensure that arrangements are in place of independent investigations of such matters and follow up actions. There were no whistle blowing incidents received for FY2014.

**Internal Audit**

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

The Group has outsourced its IA function to an external audit firm, Xiamen De Cheng Accounting Co. Ltd, (the "IA") in the People's Republic of China. The IA reports directly to the AC Chairman on internal audit matters and to the CEO on administrative matters. The role of the IA is to assist the AC to ensure that the Group maintains a sound system of internal controls by regular monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The AC is of the view that the IA has adequate resources to perform its functions and has, to the best of its ability, maintained its independence from the activities it audits. The AC will review the adequacy of the IA function annually to ensure that the IA function is adequately resourced and is able to perform its function effectively.

## (D) COMMUNICATION WITH SHAREHOLDERS

**Communication with Shareholders**

*Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements. Principle 15 : Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

*Principle 16 : Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

# Corporate Governance Report

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

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

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

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

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

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

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

(e) results briefings; and

(f) the Group's website at www.FuxingChinaGroup.com at which shareholders can access information on the Group.

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. The Notice of the AGM or Special General Meeting ("SGM") (as the case may be) is despatched to shareholders, together with explanatory notes , at least 14 days before the meeting. Each item on special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolutions.

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

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

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

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

For FY2014, no dividend was recommended due to the need to conserve cash for the Group's working capital and construction of the Group's headquarters in Xiamen.

## (E) DEALINGS IN SECURITIES

The Group has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities and implications of insider trading in compliance with Rule 1207(19) of the SGX-ST Listing Manual. The Company, Directors and Officers are prohibited from dealing in securities of the Company two weeks before the release of the quarterly results and at least one month before the release of full year results and at all times if the Directors and Officers are in possession of unpublished material price-sensitive information and on short term considerations. The Group confirmed that it has adhered to its policy for securities transactions for FY2014.

## (F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has established procedures to ensure that IPTs are reported in a timely manner to the AC, at its quarterly meeting, and such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

Details of the interested person transactions undertaken for FY2014 which were reviewed by the AC are as follows.

| | **Aggregate value of all interested person transactions during financial year under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000** | **Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000) RMB'000** |
|---|---|---|
| Narkii.com | 425 | – |

Narkii.com (Narkii), a company owned by an immediate family member of the Chairman/Chief Executive Officer, provides consultancy services such as e-commerce solution, product design and research and development to the Group without any charge during the financial year. In return, the Group assumed the payroll for a few staff working for Narkii and did not charge rental for the use of its premise. As such, there was no outstanding balance with Narkii at the end of the reporting period (2013: nil). The payroll assumed under this arrangement amounted to RMB 425,000 (2013: RMB 850,000).

During the second half of the year, Narkii had moved out of the Group's premises and ceased to provide the aforesaid consultancy services to the Group. In return, the Group had also ceased paying the payroll for the few staff of Narkii.

The aggregate value of the interested person transactions did not exceed 3% of the Group's audited net tangible asset.

## (G) MATERIAL CONTRACTS

Save for the renewed Service Agreements entered with the Chairman/CEO, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder for FY2014.

# Financial Statements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The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

## 1. Directors

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

| | |
|---|---|
| Hong Qing Liang | Executive Chairman and Chief Executive Officer |
| Hong Peng You | Executive Director |
| Hong Shui Ku | Executive Director |
| Ho Kah Leong | Lead Independent Director |
| Qiu Qing Yuan | Independent Director |
| Lim Cheng Kee | Independent Director (Appointed on 23 May 2014) |

## 2. 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 or debentures of the Company or any other body corporate, except as disclosed in paragraph 3 below.

## 3. Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| Name of director and respective companies in which interests are held | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| | At the beginning of the year | At the end of the year | At the beginning of the year | At the end of the year |
| **Fuxing China Group Limited** (No. of ordinary shares) | | | | |
| Hong Qing Liang | 23,432,000 | 23,432,000 | 480,000,000 | 480,000,000 |
| Hong Peng You | – | – | 10,000,000 | 10,000,000 |
| Hong Shui Ku | – | – | 10,420,000 | 10,420,000 |

Hong's Holdings Private Limited holds 480,000,000 shares in the Company as at 31 December 2014. Mr Hong Qing Liang holds 100% of the share capital of Hong's Holdings Private Limited. As such, Mr Hong Qing Liang is deemed to have an interest in all the shares held by Hong's Holdings Private Limited in the Company and its subsidiaries.

The directors' interests as at 21 January 2015 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2014.

## 4. Directors' contractual benefits

The Executive Chairman, Chief Executive Officer and Director, Mr Hong Qing Liang, has signed a service agreement with the Company for an initial term of three years commencing from 24 September 2007. The service agreement will continue thereafter year to year until terminated by not less than three months' notice in writing served by either party on the other.

Except as disclosed above and in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## 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 report are:

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

The audit committee has convened four meetings during the year with key management and the internal and external auditors of the Company.

The audit committee carried out its duties which included the following:

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

(ii) Reviewing 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) Reviewing the Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) Reviewing the quarterly, half-yearly and annual announcements as well as the related news releases on the results of the Group and financial position of the Group and of the Company;

(v) Reviewing the adequacy of the Group's risk management processes;

(vi) Reviewing interested person transactions in accordance with SGX listing rules;

**6. Audit Committee (Continued)**

(vii) Nomination of external auditors and approval of their compensation; and

(viii) Reporting actions of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

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

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

**7. Auditors**

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

On behalf of the board of directors

**Hong Qing Liang**
Director

**Hong Peng You**
Director

Singapore
1 April 2015

# Statement by Directors

In the opinion of the directors,

(a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) 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.

On behalf of the board of directors

**Hong Qing Liang**
Director

**Hong Peng You**
Director

Singapore
1 April 2015

# Independent Auditors' Report

*To the Members of Fuxing China Group Limited*

**Report on the Financial Statements**

We have audited the accompanying 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 2014, and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information from pages 34 to 93.

***Management's Responsibility 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 Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

**MAZARS LLP**
Public Accountants and
Chartered Accountants

Singapore
1 April 2015

# Consolidated Statement of Profit or Loss and other Comprehensive Income

*For the financial year ended 31 December 2014*
*(Amounts expressed in Renminbi)*

| | Note | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | 649,088 | 617,207 |
| Cost of sales | | (598,364) | (567,122) |
| **Gross profit** | | 50,724 | 50,085 |
| **Other items of income** | | | |
| Other income | 5 | 33,676 | 29,908 |
| Interest income | 6 | 2,075 | 2,041 |
| **Other items of expenses** | | | |
| Marketing and distribution expenses | | (6,921) | (8,167) |
| Administrative expenses | | (46,455) | (247,822) |
| Other expenses | 7 | (243) | (36,758) |
| Financial costs | 6 | (11,935) | (7,895) |
| **Profit/(Loss) before income tax** | 8 | 20,921 | (218,608) |
| Income tax expense | 11 | (10,782) | (5,505) |
| **Profit/(Loss) for the year** | | 10,139 | (224,113) |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translating foreign operations | | (1,064) | 3,437 |
| **Total comprehensive income/(loss) for the year attributable to owners of the Company** | | 9,075 | (220,676) |
| **Earnings/(Loss) per share (RMB cents per share)** | | | |
| Basic and diluted | 12 | 1.2 | (26.0) |

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

# Statements of Financial Position

*As at 31 December 2014*
*(Amounts expressed in Renminbi)*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 323,935 | 324,850 | – | – |
| Investment property | 14 | 297,860 | 234,890 | – | – |
| Land use rights | 15 | 33,930 | 34,899 | – | – |
| Intangible assets | 16 | 14 | 131 | – | – |
| Prepayments | 20 | 53 | 2,529 | – | – |
| Investment in subsidiaries | 17 | – | – | 344,853 | 344,853 |
| | | 655,792 | 597,299 | 344,853 | 344,853 |
| **Current assets** | | | | | |
| Inventories | 18 | 67,814 | 64,888 | – | – |
| Trade and other receivables | 19 | 269,618 | 215,493 | 483,421 | 465,935 |
| Prepayments | 20 | 90,997 | 77,843 | – | – |
| Cash and short-term deposits | 21 | 343,976 | 319,498 | 295 | 613 |
| | | 772,405 | 677,722 | 483,716 | 466,548 |
| **Total assets** | | 1,428,197 | 1,275,021 | 828,569 | 811,401 |
| **Equity and liabilities** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 22 | 772,574 | 772,574 | 772,574 | 772,574 |
| Treasury shares | 22 | (6,408) | (6,408) | (6,408) | (6,408) |
| Reserve fund | 23 | 64,359 | 63,502 | – | – |
| Capital reserve | 23 | 39,573 | 39,573 | 39,573 | 39,573 |
| Restructuring reserve | 23 | (117,878) | (117,878) | – | – |
| Foreign currency translation reserve | 23 | 2,324 | 3,388 | – | – |
| Accumulated (loss)/profits | | (15,427) | (24,709) | 15,538 | 303 |
| **Total equity** | | 739,117 | 730,042 | 821,277 | 806,042 |
| **Current liabilities** | | | | | |
| Trade and other payables | 24 | 261,829 | 259,090 | 5,398 | 4,080 |
| Other liabilities | 25 | 109,190 | 84,785 | 1,894 | 1,279 |
| Loans and borrowings | 26 | 254,291 | 142,724 | – | – |
| Income tax payable | | 4,012 | 5,704 | – | – |
| | | 629,322 | 492,303 | 7,292 | 5,359 |
| **Non-current liability** | | | | | |
| Deferred tax liabilities | 27 | 59,758 | 52,676 | – | – |
| **Total liabilities** | | 689,080 | 544,979 | 7,292 | 5,359 |
| **Total equity and liabilities** | | 1,428,197 | 1,275,021 | 828,569 | 811,401 |

*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 2014*
*(Amounts expressed in Renminbi)*

| 2014 | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 22) RMB'000 | Treasury shares (Note 22) RMB'000 | Reserve fund (Note 23) RMB'000 | Capital reserve (Note 23) RMB'000 | Restructuring reserve (Note 23) RMB'000 | Foreign currency translation reserve (Note 23) RMB'000 | Accumulated (loss)/profits RMB'000 | Total Equity RMB'000 |
| **Group** | | | | | | | | |
| **Balance at 1 January 2014** | 772,574 | (6,408) | 63,502 | 39,573 | (117,878) | 3,388 | (24,709) | 730,042 |
| Profit for the year | – | – | – | – | – | – | 10,139 | 10,139 |
| Other comprehensive income | | | | | | | | |
| Exchange differences on translating foreign operations | – | – | – | – | – | (1,064) | – | (1,064) |
| **Total comprehensive income/ (loss) for the year** | – | – | – | – | – | (1,064) | 10,139 | 9,075 |
| Contributions by and distributions to owners | | | | | | | | |
| Appropriation to reserve fund | – | – | 857 | – | – | – | (857) | – |
| **Total transactions with owners in their capacity as owners** | – | – | 857 | – | – | – | (857) | – |
| **Balance at 31 December 2014** | 772,574 | (6,408) | 64,359 | 39,573 | (117,878) | 2,324 | (15,427) | 739,117 |

*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 2014*
*(Amounts expressed in Renminbi)*

| 2013 | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 22) RMB'000 | Treasury shares (Note 22) RMB'000 | Reserve fund (Note 23) RMB'000 | Capital reserve (Note 23) RMB'000 | Restructuring reserve (Note 23) RMB'000 | Foreign currency translation reserve (Note 23) RMB'000 | Accumulated (loss)/profits RMB'000 | Total Equity RMB'000 |
| **Group** | | | | | | | | |
| **Balance at 1 January 2013** | 772,574 | (6,408) | 62,544 | 39,573 | (117,878) | (49) | 200,362 | 950,718 |
| Loss for the year | – | – | – | – | – | – | (224,113) | (224,113) |
| Other comprehensive income | | | | | | | | |
| Exchange differences on translating foreign operations | – | – | – | – | – | 3,437 | – | 3,437 |
| **Total comprehensive income/(loss) for the year** | – | – | – | – | – | 3,437 | (224,113) | (220,676) |
| Contributions by and distributions to owners | | | | | | | | |
| Appropriation to reserve fund | – | – | 958 | – | – | – | (958) | – |
| **Total transactions with owners in their capacity as owners** | – | – | 958 | – | – | – | (958) | – |
| **Balance at 31 December 2013** | 772,574 | (6,408) | 63,502 | 39,573 | (117,878) | 3,388 | (24,709) | 730,042 |

*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 2014*
*(Amounts expressed in Renminbi)*

| | Share capital (Note 22) | Treasury Shares (Note 22) | Capital reserve (Note 23) | Accumulated profits | Total Equity |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Company** | | | | | |
| **Balance at 1 January 2014** | 772,574 | (6,408) | 39,573 | 303 | 806,042 |
| Profit for the year representing total comprehensive income for the year | – | – | – | 15,235 | 15,235 |
| **Balance at 31 December 2014** | 772,574 | (6,408) | 39,573 | 15,538 | 821,277 |
| **Balance at 1 January 2013** | 772,574 | (6,408) | 39,573 | 10,663 | 816,402 |
| Loss for the year representing total comprehensive loss for the year | – | – | – | (10,360) | (10,360) |
| **Balance at 31 December 2013** | 772,574 | (6,408) | 39,573 | 303 | 806,042 |

*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 2014*
*(Amounts expressed in Renminbi)*

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(Loss) before tax | | 20,921 | (218,608) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 13 | 37,853 | 41,458 |
| Amortisation of land use rights | 15 | 969 | 1,100 |
| Amortisation of intangible assets | 16 | 117 | 18,260 |
| Loss on disposal of property, plant and equipment | | 67 | 851 |
| Gain from fair valuation on investment property | 14 | (19,687) | (10,100) |
| Impairment loss on intangible assets | 16 | – | 174,971 |
| Allowance for doubtful trade receivables | 19 | 6,438 | 12,501 |
| Inventory written off | | – | 3,000 |
| Gain on disposal of subsidiary | | – | (11,860) |
| Gain on disposal of investment properties | | – | (3,922) |
| Provision for social security contribution | 8 | 1,464 | 2,504 |
| Provision for minimum tax contribution expense | 7 | – | 30,000 |
| Interest expense | 6 | 11,935 | 7,895 |
| Interest income | 6 | (2,075) | (2,041) |
| Foreign currency gain | | (2,439) | 3,662 |
| Total adjustments | | 34,642 | 268,279 |
| Operating cash flows before changes in working capital | | 55,563 | 49,671 |
| Changes in working capital: | | | |
| Increase in inventories | | (2,926) | (17,052) |
| Increase in trade and other receivables | | (60,563) | (48,351) |
| Increase in prepayments | | (13,154) | (36,985) |
| Increase in trade and other payables | | 2,739 | 57,597 |
| Increase in other liabilities | | 24,315 | 6,892 |
| Total changes in working capital | | (49,589) | (37,899) |
| Cash flows generated from operations | | 5,974 | 11,772 |
| Interest paid | | (11,935) | (7,895) |
| Interest received | | 2,075 | 2,041 |
| Income taxes paid | | (5,392) | (3,601) |
| **Net cash flows (used in)/generated from operating activities** | | **(9,278)** | **2,317** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 13 | (34,528) | (24,619) |
| Construction of investment properties | 14 | (43,283) | (29,930) |
| Purchase of intangible assets | | – | (124) |
| Proceeds from disposal of investment properties | | – | 82,116 |
| Disposal of subsidiary, net of cash acquired | 17 | – | (866) |
| **Net cash flows (used in)/generated from investing activities** | | **(77,811)** | **26,577** |

*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 2014*
*(Amounts expressed in Renminbi)*

| | Note | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from loans and borrowings | | 171,465 | 152,958 |
| Repayments of loans and borrowings | | (77,000) | (109,656) |
| Decrease in fixed deposits pledged to banks | | 8,164 | 2,392 |
| **Net cash generated from financing activities** | | **102,629** | **45,694** |
| **Net increase in cash and cash equivalents** | | 15,540 | 74,588 |
| **Cash and cash equivalents at beginning of financial year** | | 253,016 | 178,428 |
| **Cash and cash equivalents at end of financial year** | 21 | **268,556** | **253,016** |

*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 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 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 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 2014 were authorised for issue by the Board of Directors on 1 April 2015.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of Singapore Financial Reporting Standards ("FRSs") including related Interpretations of FRSs ("INT FRSs") 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 FRSs and INT FRSs that are relevant to its operations and effective for the current financial year as listed below. The adoption of these new/revised FRSs and INT FRSs did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

*FRSs and INT FRSs issued and effective*

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 27 | Separate financial statements | 1 January 2014 |
| FRS 32 | Amendments to FRS 32 – Offsetting of financial assets and financial liabilities | 1 January 2014 |
| FRS 36 | Amendments to FRS 36: Recoverable amount disclosures for non-financial assets | 1 January 2014 |
| FRS 110 | Consolidated financial statements | 1 January 2014 |
| FRS 110, FRS 111, FRS 112, FRS 27 & FRS 28 | Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011): Mandatory effective date | 1 January 2014 |
| FRS 110, FRS 111 & FRS 112 | Amendments to FRS 110, FRS 111 and FRS 112: Transition guidance | 1 January 2014 |
| FRS 110, FRS 112 and FRS 27 | Amendments to FRS 110, FRS 112 and FRS 27: Investment entities | 1 January 2014 |
| FRS 112 | Disclosure of interests in other entities | 1 January 2014 |

*FRSs and INT FRSs issued but not yet effective*

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

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| FRS 16 | Amendments to FRS 16 and FRS 38: Clarification of Acceptance | |
| FRS 38 | Methods of Depreciation and Amortisation | 1 January 2016 |
| FRS 19 | Amendments to FRS 19: Defined Employee Plans: Employee Contributions | 1 July 2014 |
| Various | Improvements to FRSs (January 2014) | Various |
| Various | Improvements to FRSs (February 2014) | Various |
| Various | Improvements to FRSs (November 2014) | Various |

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

The Group has not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in 2014. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

## 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 special purposes entities) over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights.

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 balances, transactions, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint ventures.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss.

## 2.3 Business Combinations

Business combinations from 1 January 2010

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

**2. Summary of significant accounting policies (Continued)**

**2.3 Business Combinations (Continued)**

Business combinations from 1 January 2010 (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

**2. Summary of significant accounting policies (Continued)**

**2.3 Business Combinations (Continued)**

Business combinations before 1 January 2010

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

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

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

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

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

Common Control Business Combination Outside the Scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business Combinations (Continued)

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

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

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

### 2.4 Revenue recognition

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

Sale of goods

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

Interest income

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

### 2.5 Borrowing costs

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.6 Retirement benefit costs

The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Pension contributions are recognised as an expense in the period in which the related services are performed.

### 2.7 Employee leave entitlements

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

### 2.8 Income tax

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

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet 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 investments 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.

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 properties where investment properties measured at fair value are 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.

## 2. Summary of significant accounting policies (Continued)

### 2.8 Income tax (Continued)

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.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

### 2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

### 2.10 Foreign currency transactions and translation

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.10 Foreign currency transactions and translation (Continued)

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.

### 2.11 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.

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:

| | Years |
|---|---|
| Plant and machinery | 5 - 10 |
| Buildings | 20 |
| Motor vehicles | 5 - 10 |
| Office equipment | 5 |

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

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

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.12 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.

Costs of major renovations and improvements to the investment property 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.

### 2.13 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For purpose of impairment testing, goodwill acquired in business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.10.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in RMB at the rates prevailing at the date of acquisition.

## 2. Summary of significant accounting policies (Continued)

### 2.13 Intangible assets (Continued)

Other intangible assets

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

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

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

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

Gains or losses arising from de-recognition 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 over their estimated useful lives of 5 years.

*Patent*

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.13 Intangible assets (Continued)

*Customer base*

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

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

*Operating licence*

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

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

*Land use rights*

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

### 2.14 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.15 Subsidiaries

A subsidiary is an entity which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.16 Financial instruments

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

Effective interest method

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

**Financial assets**

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

**Financial assets (Continued)**

Derecognition of financial assets

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

**Financial liabilities and equity instruments**

Classification as debt or equity

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

Equity instruments

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

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

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

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

Financial liabilities

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

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

**Financial liabilities and equity instruments (Continued)**

Other financial liabilities

*Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

*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 above).

*Financial guarantee contracts*

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

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

### 2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:

– Raw materials: purchase costs are assigned by using the weighted average cost formula.

– Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned by using the weighted average cost formula.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust for the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 2. Summary of significant accounting policies (Continued)

### 2.18 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.

### 2.19 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.

### 2.20 Contingencies

A contingent liability is:

(a) 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

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) 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.

### 2.21 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. Summary of significant accounting policies (Continued)

### 2.22 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.

## 3. Critical accounting judgements and key sources of estimation uncertainty

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

### 3.1 Critical judgements made in applying the Group's accounting policies

**Determination of functional currency**

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

### 3.2 Key sources of estimation uncertainty

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

**Impairment of intangible assets**

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, i.e. its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 16 to the financial statements. As at the financial year end, the carrying amount of the intangible assets is disclosed in Note 16 to the financial statements.

**Estimated fair value of investment property**

Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at fair value, determined annually by independent valuers which based on the income method that made reference to estimated market rental values and equivalent yields. Gains or losses arising from changes in the fair value of investment property is included in the profit or loss in the year in which they arise. Carrying amount and fair value gain of the investment property is disclosed in Note 14 to the financial statements

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

### 3.2 Key sources of estimation uncertainty (Continued)

**Allowance for doubtful trade and other receivables**

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2014 is 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 were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2014 is disclosed in Note 13 to the financial statements.

**Inventory valuation method**

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the stability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2014 is disclosed in Note 18 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 and Company's current tax payables as at 31 December 2014 was RMB 4,012,000 (2013: RMB 5,704,000) and RMB nil (2013: RMB nil) respectively.

## 4. Revenue

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Sales of goods | 596,794 | 559,872 |
| Processing services | 52,294 | 57,335 |
| | 649,088 | 617,207 |

## 5. Other income

| | | Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | Note | RMB'000 | RMB'000 |
| Government grant | | 1,872 | 800 |
| Gain on valuation of investment property | 14 | 19,687 | 10,100 |
| Gain on disposal of investment property | 14 | – | 3,922 |
| Gain on disposal of subsidiary | | – | 11,860 |
| Rental income from investment property | 14 | – | 1,243 |
| Foreign exchange gain, net | | 846 | – |
| Bad debts recovered | | 9,562 | – |
| Others | | 1,709 | 1,983 |
| | | 33,676 | 29,908 |

## 6. Interest income and financial costs

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Interest income from: | | |
| - Bank deposits | 2,075 | 2,041 |
| Interest expense on: | | |
| - Bank loans | 11,935 | 7,895 |

## 7. Other expenses

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Loss on disposal of property, plant and equipment | 67 | 851 |
| Donations | 150 | 6 |
| Provision for minimum tax contribution | – | 30,000 |
| Foreign exchange loss, net | – | 5,901 |
| Others | 26 | – |
| | 243 | 36,758 |

## 8. Profit/(Loss) before income tax

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

| | Note | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|---|
| Impairment loss on intangible assets (included in the administrative expenses) | | – | 174,971 |
| Inventories written off | | – | 3,000 |
| Personnel expenses | 10 | 71,395 | 69,348 |
| Provision for social security contribution | | 1,464 | 2,504 |
| Audit fees charged by auditors of the Company | | 1,176 | 1,176 |

## 9. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

## 9. Significant related party transactions (Continued)

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advisory and administrative services from a related party | – | 291 | – | 291 |

Narkii.com (Narkii), a company owned by a immediate family member of the Chairman/Chief Executive Officer, provides consultancy services such as e-commerce solution, product design and research and development to the Group without any charge during the financial year. In return, the Group assumed the payroll of a few staff working for Narkii and did not charge rental for the use of its premise. As such, there was no outstanding balance with Narkii at the end of the reporting period (2013: nil). The payroll assumed under this arrangement amounted to RMB 425,000 (2013: RMB 850,000).

***Compensation of directors and key management personnel***

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total compensation to key management personnel – salaries, bonuses and fees (included in personnel expenses in Note 10) | 3,283 | 3,050 | 2,260 | 2,099 |
| Comprises amounts paid to: | | | | |
| Directors | 2,188 | 1,968 | 1,660 | 1,499 |
| Other key management personnel | 1,095 | 1,082 | 600 | 600 |
| | 3,283 | 3,050 | 2,260 | 2,099 |

No defined contribution plans were paid to key management personnel.

## 10. Personnel expenses

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Salaries and bonuses | 69,931 | 65,348 |
| Contribution to defined contribution plans | 1,464 | 4,000 |
| | 71,395 | 69,348 |

## 11. Income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 were:

| | Note | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|---|
| **Statement of comprehensive income:** | | | |
| Current income tax: | | | |
| - Current year | | 3,646 | 3,977 |
| - Under provision in respect of previous years | | – | 570 |
| | | 3,646 | 4,547 |
| Deferred income tax | | | |
| - Current year | 27 | 7,136 | 958 |
| Total income tax expense in consolidated income statement | | 10,782 | 5,505 |

The reconciliation between tax expense and the product of profit/(loss) before income tax multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

| | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|
| Profit/(Loss) before income tax | 20,921 | (218,608) |
| Tax at the domestic tax rates applicable to profits in the countries where the Group operates | 5,847 | (17,365) |
| Adjustments: | | |
| - Non-deductible expenses | 7,136 | 19,804 |
| - Income not subject to taxation | (4,921) | (646) |
| - Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries | 856 | 958 |
| - Under provision in respect of previous years | – | 570 |
| - Deferred tax assets not recognised | 793 | 1,329 |
| - Others | 1,071 | 855 |
| Income tax expense recognised in profit or loss | 10,782 | 5,505 |

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.

**11. Income tax expense (Continued)**

(ii) Jinjiang Fookhing Zipper Co., Ltd ("Fookhing Zipper"), Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress"), Qingdao Hong Shi High Technological Co., Ltd ("Fuxing Qingdao"), Fulong Zipper and Weaving Co., Ltd ("Fulong"), Jinjiang Jianxin Weaving Co., Ltd ("Jianxin"), Jinjiang Fuxin Electroplating Co., Ltd ("Fuxin") and Xiamen Fuxing Industrial Company Limited ("Xiamen Fuxing").

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT" Law) promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT law, EIT applies to all enterprises, including FIEs and domestic enterprises. The general applicable EIT tax rate in the PRC is 25%.

Accordingly, Fuxing Dress, Fulong, Jianxin and Fuxin are subjected to EIT tax rate of 25% for the year ended 31 December 2014 (2013: 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 2014 (2013: 15%).

No provision for income tax has been made for Fuxing Qingdao, and Xiamen Fuxing as these companies have no assessable profits during the financial years ended 31 December 2014 and 2013.

(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 2014 is 16.5% (2013: 16.5%).

No provision for income tax has been made for FCG as this Company did not have any assessable profit during the financial year ended 31 December 2014 and 31 December 2013.

Unutilised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 56,395,000 (2013: RMB 53,223,000) 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/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year amounting to 860,272,000 ordinary shares (2013: 860,272,000).

The basic and diluted earnings/(loss) per share of the Group are the same as there were no potential diluting ordinary shares outstanding as at 31 December 2014 and 31 December 2013.

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Profit/(Loss) for the year attributable to owners of the Company | 10,139 | (224,113) |

| | **No. of shares** | **No. of shares** |
|---|---|---|
| | '000 | '000 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 860,272 | 860,272 |

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Basic and diluted earnings/(loss) per share (RMB cents per share) | 1.2 | (26.0) |

## 13. Property, plant and equipment

| | Plant and machinery | Buildings | Motor vehicles | Office equipment | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Group** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2013 | 243,945 | 270,595 | 13,371 | 9,338 | 6,218 | 543,467 |
| Additions | 23,466 | 564 | 702 | 556 | 610 | 25,898 |
| Transfers | – | 2,737 | – | – | (2,737) | – |
| Disposals | (33,826) | (16,631) | (839) | (1,829) | (4,091) | (57,216) |
| At 31 December 2013 | 233,585 | 257,265 | 13,234 | 8,065 | – | 512,149 |
| Additions | 13,610 | 20,056 | 582 | 357 | 2,400 | 37,005 |
| Disposals | (69) | – | – | – | – | (69) |
| At 31 December 2014 | 247,126 | 277,321 | 13,816 | 8,422 | 2,400 | 549,085 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2013 | 108,291 | 59,219 | 9,889 | 6,954 | – | 184,353 |
| Depreciation charge for the year | 24,077 | 15,281 | 1,305 | 795 | – | 41,458 |
| Disposals | (29,969) | (6,521) | (662) | (1,360) | – | (38,512) |
| At 31 December 2013 | 102,399 | 67,979 | 10,532 | 6,389 | – | 187,299 |
| Depreciation charge for the year | 21,364 | 14,741 | 1,200 | 548 | – | 37,853 |
| Disposals | (2) | – | – | – | – | (2) |
| At 31 December 2014 | 123,761 | 82,720 | 11,732 | 6,937 | – | 225,150 |
| **Net carrying amount** | | | | | | |
| At 31 December 2013 | 131,186 | 189,286 | 2,702 | 1,676 | – | 324,850 |
| At 31 December 2014 | 123,365 | 194,601 | 2,084 | 1,485 | 2,400 | 323,935 |

## 13. Property, plant and equipment (Continued)

***Purchase of property, plant and equipment***

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Aggregate cost of property, plant and equipment acquired | 37,005 | 25,898 |
| Less: Prepayments made in prior year | (2,530) | (3,809) |
| Add: Prepayments made in current year | 53 | 2,530 |
| Net cash outflow for purchase of property, plant and equipment | 34,528 | 24,619 |

***Assets pledged as security***

As of 31 December 2014 certain buildings of the Group with net carrying amount of RMB 178,845,311 (2013: RMB 171,904,350) were pledged as security for the facility of bills payables (Note 24) and short term bank loans (Note 26).

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

## 14. Investment property

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| **Statement of financial position** | | |
| At 1 January | 234,890 | 274,318 |
| Addition | 43,283 | 29,930 |
| Proceeds from disposal | – | (82,116) |
| Gain on disposal of investment property | – | 3,922 |
| Net gains from fair value adjustments recognised in: | | |
| - Statement of comprehensive income | 19,687 | 10,100 |
| Translation difference | – | (1,264) |
| At 31 December | 297,860 | 234,890 |
| **Statement of comprehensive income** | | |
| Rental income from investment property: | | |
| - Minimum lease payments | – | 1,243 |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| - Rental generating expenses | – | (281) |

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

The investment property owned by Fook Hing Group Trading Co., Ltd was disposed of on 28 November 2013.

## 14. Investment property (Continued)

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation performed as at 31 December 2014 and 31 December 2013. The valuation of investment property was performed by Jin Jiang Decheng Asset Appraisal Co., Ltd, on 31 December 2014 and 31 December 2013. The independent valuer has a recognised and revelant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields. The investment property of the Group is still under construction, therefore no rental income generated.

Property pledged as security

Investment property with a carrying value of RMB 297,860,000 (2012: RMB 234,890,000) is mortgaged to secure short term loans and bank overdrafts (Note 26).

Details of the investment properties held by the Group as at 31 December 2014 and 2013 are as follows:

| Location | Gross Area | Existing Use | Tenure | Expiry of Lease Term |
|---|---|---|---|---|
| 16th Floor of Tower II, Enterprise* Square, No. 9, Sheung Yuet Road, Kowloon | 12,878 sq ft | Office | Leasehold | 30 June 2047 |
| Siming District, Xiamen City, Fujian Province, the People's Republic of China | 5,238 sq m | Office | Leasehold | 28 April 2061 |

* The investment property was disposed of on 28 November 2013.

## 15. Land use rights

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| **Cost** | | |
| At 1 January | 38,206 | 48,720 |
| Disposal | – | (10,514) |
| At 31 December | 38,206 | 38,206 |
| **Accumulated amortisation** | | |
| At 1 January | 3,307 | 3,428 |
| Additions | 969 | 1,100 |
| Disposal | – | (1,221) |
| At 31 December | 4,276 | 3,307 |
| **Net carrying amount** | | |
| At 31 December | 33,930 | 34,899 |
| **Amount to be amortised** | | |
| - Not later than one year | 967 | 967 |
| - Later than one year but not later than five years | 4,834 | 4,834 |
| - Later than five years | 28,129 | 29,098 |

## 15. Land use rights (Continued)

The Group has land use rights over seven plots (2013: eight plots) of state-owned land in People's Republic of China (PRC) where the Group's manufacturing and storage facilities reside. The land use rights are not transferable and have remaining tenure of 32 years to 44 years (2013: 33 years to 45 years). The land use right disposed in 2013 was due to the disposal of a subsidiary as mentioned in Note 17 to the financial statements.

## 16. Intangible assets

| | Software | Goodwill | Patent | Customer base | Operating licence | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost** | | | | | | |
| At 1 January 2013 | 85 | 116,936 | 46,000 | 71,951 | 98,254 | 333,226 |
| Additions | 124 | – | – | – | – | 124 |
| At 31 December 2013 and 2014 | 209 | 116,936 | 46,000 | 71,951 | 98,254 | 333,350 |
| **Accumulated amortisation** | | | | | | |
| At 1 January 2013 | 51 | – | 13,690 | 11,392 | 6,327 | 31,460 |
| Amortisation | 27 | – | 6,572 | 7,195 | 4,466 | 18,260 |
| At 31 December 2013 | 78 | – | 20,262 | 18,587 | 10,793 | 49,720 |
| Amortisation | 117 | – | – | – | – | 117 |
| At 31 December 2014 | 195 | – | 20,262 | 18,587 | 10,793 | 49,837 |
| **Accumulated impairment** | | | | | | |
| At 1 January 2013 | – | 97,528 | 11,000 | – | – | 108,528 |
| Recognised in the year | – | 19,408 | 14,738 | 53,364 | 87,461 | 174,971 |
| At 31 December 2013 and 2014 | – | 116,936 | 25,738 | 53,364 | 87,461 | 283,499 |
| **Net carrying amount** | | | | | | |
| At 31 December 2013 | 131 | – | – | – | – | 131 |
| At 31 December 2014 | 14 | – | – | – | – | 14 |

Customer base and operating licence arised from business combinations in 2011. As at 31 December 2014, the remaining amortisation period for software, patent, customer base and operating licence is 1 years (2013: 2 years), Nil (2013: Nil), Nil (2013: Nil) and Nil (2013: Nil) respectively.

Patent

This represent 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 acquisition.

## 16. Intangible assets (Continued)

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

In 31 December 2012, an impairment loss of RMB 80,000,000 was recognised in relation to the goodwill. In 31 December 2013, full impairment of RMB 174,971,000 was recognised on the remaining carrying amount of goodwill, patent, customer base and operating license.

Impairment test of intangible assets including goodwill

Intangible assets have been fully allocated to two-cash generating units (CGU), which are also the reportable operating segments as below:

– Zipper chain segment

– Processing segment

The carrying amounts of goodwill allocated to each CGU are as follows:

| | Zipper chain segment | | Processing segment | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Goodwill | – | – | – | – | – | – |

In prior year, the recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used are as follows:

| | Zipper chain segment | Processing segment |
|---|---|---|
| | 2013 | 2013 |
| Growth rates | | |
| Pre-tax discount rates | 7.74% | 7.74% |

In 2014, those subsidiaries acquired previously are still in loss position which is in line with the cash flow projections made in prior year. Thus, no reversal of impairment required.

## 17. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Unquoted shares, at cost | 344,853 | 344,853 |

| Name | Country of incorporation | Principal activities | Effective equity held by the Company | |
|---|---|---|---|---|
| | | | **2014** | **2013** |
| | | | % | % |
| *Held by the Company* | | | | |
| Jade Star Group Holdings Limited ("Jade Star") (1) | British Virgin Islands | Investment holding | 100 | 100 |
| Fuxing China Group Limited (HK) ("FCG") (1) | Hong Kong | Investment holding, to facilitate the application of the State-owned Land Use Right Certificate in respect of the Land Parcel | 100 | 100 |
| *Held through Jade Star* | | | | |
| Jinjiang Fookhing Zipper Co., Ltd ("Fookhing Zipper") (2) | People's Republic of China | Production and sale of finished zippers and zipper chains | 100 | 100 |
| Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress") (2) | People's Republic of China | Production and sale of zipper sliders | 100 | 100 |
| Qingdao Hong Shi High Technological Co., Ltd ("Fuxing Qingdao") (1) | People's Republic of China | Production and sale of finished zippers, zipper chains and 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 |

## 17. Investment in subsidiaries (Continued)

| Name | Country of incorporation | Principal activities | Effective equity held by the Company | |
|---|---|---|---|---|
| | | | 2014 | 2013 |
| | | | % | % |
| *Held through FCG* | | | | |
| Xiamen Fuxing Industrial Company Limited ("Xiamen Fuxing") [1] | People's Republic of China | Real estate development | 100 | 100 |

Notes on auditors

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

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

**Disposal of subsidiary**

On 4 July 2013, Jade Star Group Holding Limited, a wholly owned subsidiary of the Company disposed of its entire interest in Fuxing Textile (Shanghai) Co., Ltd for cash consideration of RMB 2,416,000.

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

| | 2013 RMB'000 |
|---|---|
| Non-current assets | 27,145 |
| Current assets | 15,397 |
| Non-current liabilities | (3,653) |
| Current liability | (48,333) |
| Net liability disposed off | (9,444) |

*Effects of the disposal on cash flows*

| | 2013 RMB'000 |
|---|---|
| Cash consideration received | 2,416 |
| Cash and cash equivalents disposed of | (3,282) |
| Net cash outflow on disposal | (866) |

## 18. Inventories

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Raw materials | 22,616 | 20,866 |
| Work-in-progress | 7,804 | 9,837 |
| Finished goods | 37,394 | 34,185 |
| | 67,814 | 64,888 |

The Group has recognised RMB 596,522,000 and Nil (2013: RMB 476,296,000 and RMB 3,000,000) as an expense in cost of sales and inventories written down in administrative expenses.

## 19. Trade and other receivables

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2014** | **2013** | **2014** | **2013** |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | | 298,567 | 242,086 | – | – |
| Allowance for doubtful debts | | (41,546) | (35,796) | – | – |
| | | 257,021 | 206,290 | | |
| Bills receivable | | 7,999 | 4,227 | – | – |
| Other receivables | | 4,598 | 4,976 | 2 | 2 |
| Amount due from subsidiaries (non-trade) | | – | – | 483,419 | 465,933 |
| Total trade and other receivables | | 269,618 | 215,493 | 483,421 | 465,935 |
| Add: Cash and short-term deposits | 21 | 343,976 | 319,498 | 295 | 613 |
| Total loans and receivables | | 613,594 | 534,991 | 483,716 | 466,548 |

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 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 currency of the Company as at 31 December 2014 and 2013.

Bills receivable

Bills receivable are interest-free and have maturity periods of approximately 180 days (2013: 180 days).

Related party balances

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

**19. Trade and other receivables (Continued)**

Receivables that are past due but not impaired

The Group has trade receivables amounting to RMB 21,100,000 (2013: RMB 8,299,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Trade receivables past due but not impaired: | | |
| More than 180 days | 21,100 | 8,299 |

Receivables that are impaired

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Trade receivables | 41,546 | 35,796 |
| Less: allowance for doubtful trade receivables | (41,546) | (35,796) |
| | – | – |

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Other receivables | 4,598 | 13,850 |
| Less: allowance for doubtful other receivables | – | (8,874) |
| | 4,598 | 4,976 |

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Movement in allowance for doubtful account: | | |
| At 1 January | 44,670 | 34,022 |
| Charge for the year | 6,438 | 12,501 |
| Written back | (9,562) | – |
| Written off | – | (1,853) |
| At 31 December | 41,546 | 44,670 |

The written back of doubtful debts pertain to those doubtful debts provided in prior year and was recovered during the year. Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 20. Prepayments

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| **Non-current:** | | |
| Prepayments for property, plant and equipment | 53 | 2,529 |
| **Current:** | | |
| Advances to suppliers | 84,984 | 72,173 |
| Prepaid operating expenses | 6,013 | 5,670 |
| | 90,997 | 77,843 |
| Total prepayments | 91,050 | 80,372 |

The prepayments are denominated in the functional currency of the respective entities as at 31 December 2014 and 2013.

## 21. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash at banks and on hand | 285,658 | 253,016 | 295 | 613 |
| Short-term deposits | 58,318 | 66,482 | – | – |
| Cash and short-term deposits | 343,976 | 319,498 | 295 | 613 |

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 rate. Short-term deposits amounting to RMB 58,318,000 (2013: RMB 66,482,000) are pledged to banks for the Group's bills payables to banks (Note 24) and bank overdrafts (Note 26) respectively.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| United States Dollar | 549 | 2,703 | – | 62 |
| Singapore Dollar | 289 | 545 | 289 | 545 |
| Hong Kong Dollar | 1,601 | 9,934 | 6 | 6 |

## 21. Cash and short-term deposits (Continued)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | Note | Group 2014 | 2013 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| Cash and short-term deposits | | 343,976 | 319,498 |
| Less: short-term deposits pledged | | (58,318) | (66,482) |
| Cash and unpledged short term deposits | | 285,658 | 253,016 |
| Less: bank overdrafts | 26 | (17,102) | – |
| Cash and cash equivalents | | 268,556 | 253,016 |

## 22. Share capital and treasury shares

### (a) Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares | Value | No. of shares | Value |
| | '000 | RMB'000 | '000 | RMB'000 |
| **Issued and fully paid ordinary shares** | | | | |
| At 1 January and at 31 December | 874,158 | 772,574 | 874,158 | 772,574 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have par value of S$0.10 each.

### (b) Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares | Value | No. of shares | Value |
| | '000 | RMB'000 | '000 | RMB'000 |
| At 1 January and at 31 December | 13,866 | 6,408 | 13,866 | 6,408 |

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

## 23. Other reserves

### (a) Reserve fund

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

### (b) Capital reserve

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

### (c) Restructuring reserve

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

### (d) Foreign currency translation reserve

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

## 24. Trade and other payables

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | | 5,830 | 8,643 | – | – |
| Bills payables to banks | | 133,826 | 149,743 | – | – |
| Provision for minimum tax contribution | | 95,000 | 95,000 | – | – |
| Amounts due to subsidiaries (non-trade) | | – | – | – | 100 |
| Amounts due to directors (non-trade) | | 27,173 | 5,704 | 5,398 | 3,980 |
| Total trade and other payables | | 261,829 | 259,090 | 5,398 | 4,080 |
| Add: Other liabilities | 25 | 109,190 | 84,785 | 1,894 | 1,279 |
| Add: Loans and borrowings | 26 | 254,291 | 142,724 | – | – |
| Total financial liabilities carried at amortised cost | | 625,310 | 486,599 | 7,292 | 5,359 |

## 24. Trade and other payables (Continued)

Trade payables

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

Bills payables to banks

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Bill payables 1 | 75,700 | 80,000 |
| Bill payables 2 | 32,000 | 40,000 |
| Bill payables 3 | – | 14,810 |
| Bill payables 4 | 26,126 | 14,933 |
| | 133,826 | 149,743 |

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

1 Bills payables to bank amounting to RMB 75,700,000 (2013: RMB 80,000,000) is secured by bank deposits of Jinjiang Fookhing Zipper Co., Ltd, and certain land and buildings owned by Jinjiang Jianxin Weaving Co., Ltd, located at Donghaian Development Zone, Shenhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party - Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party - Jinjiang Fuxing Dress Co., Ltd and independent third party - Jinjiang Yuanda Garment Weaving Co., Ltd.

2 Bills payables to bank amounting to RMB 32,000,000 (2013: RMB 40,000,000) is secured by bank deposits of Jinjiang Fuxing Dress Co., Ltd, and certain land and buildings owned by Fulong Zipper and Weaving Co., Ltd, located at Donghaian Comprehensive Development Zone, Shenhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related parties - Mr. Hong Qing Liang (Executive Chairman and CEO) and Ms. Shi MeiMei.

3 Bills payable to bank amounting to Nil (2013: RMB 14,8100,000) was secured by certain land 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 a related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a subsidiary – Jinjiang Fuxing Dress Co., Ltd and an independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.

4 Bill payable amounting to RMB 26,126,000 (2013: RMB 14,933,000) is secured by a charge over investment property (13th floor which is the top floor) owned by Pretty Limited and part of 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, corporate guarantee from Fuxing China Group Limited, and personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO).

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

Amounts due to directors

These amounts are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

All trade and other payables are denominated in the functional currency of the respective entities as at 31 December 2014 and 2013.

## 25. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances from customers | 29,870 | 30,047 | – | – |
| Accrued salary and bonuses | 39,757 | 41,192 | 394 | 445 |
| Other accruals | 39,563 | 13,546 | 1,500 | 834 |
| | 109,190 | 84,785 | 1,894 | 1,279 |

All other liabilities are denominated in the functional currencies of the respective entities as at 31 December 2014 and 2013.

## 26. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Short term bank loans: | | | | |
| Loan 1 | 70,000 | 50,000 | – | – |
| Loan 2 | 9,000 | 8,000 | – | – |
| Loan 3 | 29,189 | 15,724 | – | – |
| Loan 4 | 110,000 | 50,000 | – | – |
| Loan 5 | 19,000 | 19,000 | – | – |
| | 237,189 | 142,724 | – | – |
| Bank overdrafts: | | | | |
| Bank overdraft 1 | 17,102 | – | – | – |
| | 17,102 | – | – | – |
| Total loans and borrowings | 254,291 | 142,724 | – | – |

1 This short-term bank loan is secured by bank deposits of Jinjiang Fookhing Zipper Co., Ltd, and certain land and buildings owned by Jinjiang Jianxin Weaving Co., Ltd, located at Donghaian Development Zone, Shenhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party Jinjiang Fuxing Dress Co., Ltd and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.

2 This short-term bank loan is secured by certain land and buildings owned by Jinjiang Fookhing Zipper Co., Ltd, located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC. and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a related party – Jinjiang Fuxing Dress Co., Ltd, and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.

## 26. Loans and borrowings (Continued)

3 The short-term loan of RMB 29,189,000 and bank overdraft of RMB 17,102,000 are secured by a charge over investment property (13th floor which is the top floor) owned by Pretty Limited and part of 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, corporate guarantee from Fuxing China Group Limited, and personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO).

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

4 This loan is secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd, located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, the PRC. This short-term loan bears an effective interest rate of 6.55% (2013: 6.55%) and is repayable in a monthly instalment for a period of 96 months. However, the amount is repayable in full upon the request of bank.

5 This loan is guaranteed by personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party – Mr. Wu Yuan Yang and corporate guarantee from an independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 31 December 2014 and 2013. Except for Loan 4, the short-term loan bears interest ranging from 3.3% to 9.0% (2013: 4.1% to 7.5%) and is repayable in a monthly instalment for a period of 12 months.

## 27. Deferred tax liabilities

Deferred tax as at 31 December relates to the following:

| | Accelerated tax depreciation RMB'000 | Revaluation of building RMB'000 | Witholding tax on undistributed profits [1] RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Deferred tax liabilities** | | | | |
| At 1 January 2013 | 13,218 | 6,883 | 35,215 | 55,316 |
| Exchange translation differences | – | 180 | (125) | 55 |
| Disposal of subsidiary | (3,653) | – | – | (3,653) |
| Charge to profit or loss | – | – | 958 | 958 |
| At 31 December 2013 | 9,565 | 7,063 | 36,048 | 52,676 |
| Exchange translation differences | (54) | – | – | (54) |
| Charge to profit or loss | – | 6,280 | 856 | 7,136 |
| At 31 December 2014 | 9,511 | 13,343 | 36,904 | 59,758 |

1 On 22 February 2008, the State Administration of Taxation of China issued a circular [2008] No.001, which states that distribution of dividends after 1 January 2008 from pre-2008 profits will be exempt from withholding tax on distribution to foreign investors. As a result, there should be no deferred tax liabilities arising from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required to the extent per FRS 12.39 on profits accumulated from 1 January 2008 onwards.

## 28. Dividends

The Company did not recommend any dividend in respect of the financial year ended 31 December 2014 and 2013.

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

(b) Zipper Sliders

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

(ii) Processing

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

(iii) Trading

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

(iv) Corporate

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

Except as indicated above, no operating segments have 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.

## 29. Segment information (Continued)

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

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

Geographical information

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

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| People's Republic of China | 465,264 | 487,362 | 655,789 | 597,294 |
| Hong Kong | 183,824 | 129,845 | 3 | 5 |
| | 649,088 | 617,207 | 655,792 | 597,299 |

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 consolidated balance sheet.

## 29. Segment information (Continued)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the years ended 31 December 2014 and 2013.

| | Zipper Chain RMB'000 | Zipper Slider RMB'000 | Trading RMB'000 | Processing RMB'000 | Corporate RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 December 2014** | | | | | | | |
| **Revenue:** | | | | | | | |
| Sales to external customers | 320,206 | 92,843 | 183,745 | 52,294 | – | – | 649,088 |
| Inter-segment sales | 3,297 | 11,023 | – | 23,329 | – | (37,649) | – |
| Total revenue | 323,503 | 103,866 | 183,745 | 75,623 | – | (37,649) | 649,088 |
| **Results:** | | | | | | | |
| Segment gross profit | 33,985 | 9,607 | 3,921 | 3,211 | – | – | 50,724 |
| Segment results | 16,693 | 3,532 | 4,469 | (8,506) | 14,593 | – | 30,781 |
| Interest income | 1,486 | 340 | 1 | 7 | 241 | – | 2,075 |
| Financial costs | (4,800) | – | (1,522) | (1,713) | (3,900) | – | (11,935) |
| Profit before income tax | | | | | | | 20,921 |
| Income tax expenses | | | | | | | (10,782) |
| Net profit attributable to shareholders | | | | | | | 10,139 |
| **Other segment information** | | | | | | | |
| Fair value gains on investment properties | – | – | – | – | 19,687 | – | 19,687 |
| Depreciation and amortisation | 21,346 | 4,467 | 2 | 13,116 | 8 | – | 38,939 |
| Provision for social security contribution | (208) | 120 | – | 1,552 | – | – | 1,464 |
| Loss on disposal of property, plant and equipment | – | – | – | 67 | – | – | 67 |
| **Total assets** | 646,503 | 102,034 | 109,435 | 195,644 | 374,581 | – | 1,428,197 |
| Total assets include: | | | | | | | |
| Capital expenditure for property, plant and equipment | 3,576 | 8,643 | – | 24,772 | 14 | – | 37,005 |
| **Total liabilities** | (228,468) | (64,173) | (72,447) | (108,711) | (215,281) | – | (689,080) |

## 29. Segment information (Continued)

Business segments (Continued)

The following table presents revenue, results and other information regarding the Group's business segments for the years ended 31 December 2014 and 2013. (Continued)

| | Zipper Chain RMB'000 | Zipper Slider RMB'000 | Trading RMB'000 | Processing RMB'000 | Corporate RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 December 2013** | | | | | | | |
| **Revenue:** | | | | | | | |
| Sales to external customers | 344,291 | 85,736 | 129,845 | 57,335 | – | – | 617,207 |
| Inter-segment sales | 8,216 | 10,582 | – | 18,649 | – | (37,447) | – |
| Total revenue | 352,507 | 96,318 | 129,845 | 75,984 | – | (37,447) | 617,207 |
| **Results:** | | | | | | | |
| Segment gross profit | 34,017 | 10,877 | 3,438 | 1,753 | – | – | 50,085 |
| Segment results | (24,401) | 811 | 8,991 | (177,410) | (20,745) | – | (212,754) |
| Interest income | 1,607 | 321 | 71 | 23 | 19 | – | 2,041 |
| Financial costs | (4,057) | – | (3,106) | (732) | – | – | (7,895) |
| Loss before tax | | | | | | | (218,608) |
| Income tax expenses | | | | | | | (5,505) |
| Net loss attributable to shareholders | | | | | | | (224,113) |
| **Other segment information** | | | | | | | |
| Fair value gains on investment properties | – | – | – | – | 10,100 | – | 10,100 |
| Depreciation and amortization | 29,362 | 5,088 | 3 | 26,365 | – | – | 60,818 |
| Inventory written off | – | 3,000 | – | – | – | – | 3,000 |
| Provision for social contribution | 480 | 426 | – | 1,598 | – | – | 2,504 |
| Minimum tax contribution | – | – | – | – | 30,000 | – | 30,000 |
| Impairment of intangible assets | 17,684 | – | – | 157,287 | – | – | 174,971 |
| Loss on disposal of property, plant and equipment | 450 | 401 | – | – | – | – | 851 |
| **Total assets** | 628,603 | 103,163 | 69,399 | 193,272 | 280,584 | – | 1,275,021 |
| Total assets include: | | | | | | | |
| Capital expenditure for property, plant and equipment | 14,545 | 4,053 | 2 | 7,298 | – | – | 25,898 |
| **Total liabilities** | (228,105) | (69,931) | (31,582) | (85,165) | (130,196) | – | (544,979) |

## 30. Commitments

### (a) Capital commitments

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Capital commitments in respect of contracts entered into for the construction-in-progress | 81,659 | 65,050 |

### (b) Guarantees

The Company has provided the following corporate guarantees at the end of the reporting period for banking facilities taken up by Fuxing HK:

- Bills payable to banks of RMB 26,126,000 (2013: RMB 14,933,000) (Note 24);
- Bank overdrafts of RMB 17,102,000 (2013: RMB Nil) (Note 26); and
- Short term bank loans of RMB 29,189,000 (2013: RMB 15,724,000) (Note 26).

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

## 31. Contingent liabilities

On 11 December 2012, Leading Properties Agency (the "Plaintiff") filed a claimed against the Group for the sum of HK$1,466,192 (RMB 1,188,788), exclusive of interest and legal costs, being commission alleged to be payable to the Plaintiff in respect of its services provided in the sale of the investment property situated at 16th Floor of Tower II, Enterprise Square, No. 9, Sheung Yuet Road, Kowloon.

By a counter claim against the Plaintiff, the Company as defendant claimed against a sum of HK$4,000,000 (RMB 3,243,200), exclusive of interest and legal costs, being liquidated damages paid to the purchaser to cancel the sale of the above mentioned property as a result of wrong advice given by the Plaintiff as estate agent. The ultimate liability will be limited to the claims as detailed in the above. At the date of this report, the final outcome has yet to be known.

## 32. Financial risk management objectives and policies

The Group and the Company 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 year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company does not apply hedge accounting.

## 32. Financial risk management objectives and policies (Continued)

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

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

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company'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 (2013: 100) basis points lower/higher held constant, the Group's profit before income tax would have been RMB 441,000 (2013: RMB 270,000) lower/higher, arising mainly as a result of lower/higher interest expenses/ income on floating rate cash at bank balances, bills payable 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 years.

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and funding flexibility through the use of bank loans and bills payable when necessary. At the end of the reporting period, approximately 100% (2013: 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.

## 32. Financial risk management objectives and policies (Continued)

### (b) Liquidity risk (Continued)

**Analysis of financial instruments by remaining contractual maturities**

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

| | Effective interest rate | One year or less |
|---|---|---|
| | % | RMB'000 |
| **Group** | | |
| **2014** | | |
| **Financial assets:** | | |
| Trade and other receivables | – | 269,618 |
| Cash and short-term deposits | 0.6 | 343,976 |
| Total undiscounted financial assets | | 613,594 |
| **Financial liabilities:** | | |
| Trade and other payables | – | 261,829 |
| Other liabilities | – | 109,190 |
| Loans and borrowings | 3.3 to 9.0 | 254,291 |
| Total undiscounted financial liabilities | | 625,310 |
| **Total net undiscounted financial liabilities** | | (11,716) |
| **2013** | | |
| **Financial assets:** | | |
| Trade and other receivables | – | 215,493 |
| Cash and short-term deposits | 0.6 | 319,498 |
| Total undiscounted financial assets | | 534,991 |
| **Financial liabilities:** | | |
| Trade and other payables | – | 259,090 |
| Other liabilities | – | 84,785 |
| Loans and borrowings | 4.1 to 7.5 | 142,724 |
| Total undiscounted financial liabilities | | 486,599 |
| **Total net undiscounted financial assets** | | 48,392 |

## 32. Financial risk management objectives and policies (Continued)

### (b) Liquidity risk (Continued)

| | Effective interest rate | One year or less |
|---|---|---|
| | % | RMB'000 |
| **Company** | | |
| **2014** | | |
| **Financial assets:** | | |
| Amount due from subsidiaries (non-trade) | – | 483,419 |
| Other receivables | – | 2 |
| Cash and short-term deposits | 4 | 295 |
| Total undiscounted financial assets | | 483,716 |
| **Financial liabilities:** | | |
| Other liabilities | – | 1,894 |
| Amounts due to directors (non-trade) | – | 5,398 |
| Total undiscounted financial liabilities | | 7,292 |
| **Total net undiscounted financial assets** | | 476,424 |
| **2013** | | |
| **Financial assets:** | | |
| Amount due from subsidiaries (non-trade) | – | 465,933 |
| Other receivables | – | 2 |
| Cash and short-term deposits | 4 | 613 |
| Total undiscounted financial assets | | 466,548 |
| **Financial liabilities:** | | |
| Other liabilities | – | 1,279 |
| Amounts due to directors (non-trade) | – | 4,080 |
| Total undiscounted financial liabilities | | 5,359 |
| **Total net undiscounted financial assets** | | 461,189 |

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

| | Company | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Financial guarantees | | |
| - One year or less | 50,818 | 42,455 |

## 32. Financial risk management objectives and policies (Continued)

### (c) Foreign currency risk

The Group has cash and short-term deposits and loans and borrowings denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are denominated in USD, HKD and SGD. Accordingly, the Group's balance sheets can be affected by movements in the USD/RMB, SGD/RMB and HKD/RMB exchange rates.

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

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

Sensitivity analysis for foreign currency risk

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

| | | Group | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | **Profit before income tax** | **Loss before Income tax** |
| | | RMB'000 | RMB'000 |
| USD | – strengthened 5% (2013: 5%) | (27) | (135) |
| | – weakened 5% (2013: 5%) | 27 | 135 |
| SGD | – strengthened 5% (2013: 5%) | (14) | (27) |
| | – weakened 5% (2013: 5%) | 14 | 27 |
| HKD | – strengthened 5% (2013: 5%) | (80) | (497) |
| | – weakened 5% (2013: 5%) | 80 | 497 |

### (d) 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 minimises 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.

## 32. Financial risk management objectives and policies (Continued)

### (d) Credit risk (Continued)

Exposure to credit risk

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

- the carrying amount of each class of financial assets recognised in the statement of financial position; and
- corporate guarantees provided by the Company on Fuxing HK's bills payables (Note 24) and short term bank loans (Note 26).

Credit risk concentration profile

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

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | RMB'000 | % of total | RMB'000 | % of total |
| **By country:** | | | | |
| People's Republic of China | 148,041 | 58 | 144,404 | 70 |
| Hong Kong | 108,980 | 42 | 61,886 | 30 |
| | 257,021 | 100 | 206,290 | 100 |

At the end of the reporting period, approximately 68% (2013: 50%) of the Group's trade receivables were due from 5 major customers who are mainly trading companies located in the PRC and Hong Kong.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

## 33. Fair value of assets and liabilities

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

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

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

(b) in the absence of quoted market prices, the fair values of the other financial assets and financial 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 or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

(c) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

(d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair hierarchy).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
|---|---|---|---|
| **Group** | | | |
| **2014** | | | |
| **Non-financial assets:** | | | |
| Investment property | | | |
| - Commercial | – | – | 297,860 |
| **Non-financial assets as at 31 December** | – | – | 297,860 |
| **2013** | | | |
| **Non-financial assets:** | | | |
| Investment property | | | |
| - Commercial | – | – | 234,890 |
| **Non-financial assets as at 31 December** | – | – | 234,890 |

## 33. Fair value of assets and liabilities (Continued)

**Level 2**

Valuation techniques are used for the determination of the fair values of foreign currency forward contracts and interest rate swaps. The fair value of foreign currency forward contracts is determined using quoted forward currency rates at the reporting date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

**Level 3**

The table below states the information about fair value measurements using significant unobservable inputs:

| Description | Fair value at 31 December 2014 RMB'000 | Valuation technique | Unobservable input |
|---|---|---|---|
| **Investment properties:** | | | |
| Commercial | 297,860 | Market comparable approach | Yield adjustments based on management's assumptions |

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

| | 31 December 2014 | | |
|---|---|---|---|
| | | Effect of reasonably possible alternative assumptions | |
| | Carrying amount RMB'000 | Profit or loss RMB'000 | Other comprehensive income RMB'000 |
| **Recurring fair value measurements** | | | |
| Investment property: | | | |
| Commercial | 297,860 | 2,978 | – |

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:

– For commercial investment properties, the Group adjusted the yield adjustments based on management's assumptions by increasing and decreasing the adjustments by 1% depending on nature, location or condition of the specific property.

## 33. Fair value of assets and liabilities (Continued)

### Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

| | 2014<br>Investment property<br>RMB'000 |
|---|---|
| Opening balance | 234,890 |
| Addition | 43,283 |
| Total gains for financial year included in profit or loss | 19,687 |
| Closing balance | 297,860 |

The amount of total gains for the financial year included in profit or loss under 'other income' that is attributable to the change in unrealised gains relating to commercial investment property is RMB 19,687,000.

### Valuation policies and procedures

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

It is the Group's policy to engage external valuation experts to perform all significant financial reporting valuations using valuation models and significant unobservable inputs. The CFO is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance. He also reviews the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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

The analysis and results of the external valuations and then reported to the Audit Committee on a quarterly basis who then performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the valuation technique of the various classes of financial instruments.

## 34. 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 shareholder 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 2014 and 31 December 2013.

As disclosed in Note 23(a), PRC subsidiaries are required by the relevant law and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2014 and 2013.

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 | |
|---|---|---|
| | **2014** | **2013** |
| | RMB'000 | RMB'000 |
| Trade and other payables | 261,829 | 259,090 |
| Other liabilities | 109,190 | 84,785 |
| Loans and borrowings | 254,291 | 142,724 |
| Less : Cash and unpledged fixed deposits | (285,658) | (253,016) |
| Net debt | 339,652 | 233,583 |
| Equity attributable to owners of the Company | 739,117 | 730,042 |
| Less: Reserve fund | (64,359) | (63,502) |
| Total capital | 674,758 | 666,540 |
| Capital and net debt | 1,014,410 | 900,123 |
| Gearing ratio | 0.33 | 0.26 |

## 35. Events subsequent to the reporting date

On 13 March 2015, the Company proposes to undertake a share consolidation of every 50 ordinary shares in the capital of the Company registered in the name of each shareholder of the Company as at a books closure date to be determined by the Directors into 1 consolidated share, fractional entitlements to be disregarded.

The proposed share consolidation is to facilitate compliance with the continuing listing requirement imposed by SGX-ST for issuers listed on the SGX Mainboard to have a minimum trading price per share of S$0.20.

# Statistics of Shareholdings

*As at 16 March 2015*

| | | |
|---|---|---|
| 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) | : | 860,272,000 |
| Class of shares | : | Ordinary share of S$0.10 each |
| Voting rights | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 1 | 0.06 | 20 | 0.00 |
| 100 – 1,000 | 27 | 1.63 | 25,738 | 0.00 |
| 1,001 – 10,000 | 357 | 21.52 | 2,600,600 | 0.30 |
| 10,001 – 1,000,000 | 1,232 | 74.26 | 128,659,700 | 14.96 |
| 1,000,001 AND ABOVE | 42 | 2.53 | 728,985,942 | 84.74 |
| **TOTAL :** | **1,659** | **100.00** | **860,272,000** | **100.00** |

## TREASURY SHARES

| | | |
|---|---|---|
| Number of treasury shares held | : | 13,886,000 |
| Percentage of treasury shares held against total number of issued shares (excluding treasury shares) | : | 1.61% |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 480,000,000 | 55.80 |
| 2 | DBS NOMINEES (PRIVATE) LIMITED | 92,918,810 | 10.80 |
| 3 | UOB KAY HIAN PRIVATE LIMITED | 24,350,000 | 2.83 |
| 4 | HONG QINGLIANG | 23,432,000 | 2.72 |
| 5 | RAFFLES NOMINEES (PTE) LIMITED | 17,883,000 | 2.08 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 10,191,000 | 1.18 |
| 7 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 6,448,032 | 0.75 |
| 8 | CITIBANK NOMINEES SINGAPORE PTE LTD | 6,209,900 | 0.72 |
| 9 | SHI NENGYI | 4,984,000 | 0.58 |
| 10 | PHILLIP SECURITIES PTE LTD | 4,931,000 | 0.57 |
| 11 | WU SHU MAN | 3,630,000 | 0.42 |
| 12 | XU PENG FENG | 3,500,000 | 0.41 |
| 13 | ONG SWEE LOONG | 3,200,000 | 0.37 |
| 14 | CAI MINGXIN | 3,112,000 | 0.36 |
| 15 | KWEK LAY HAR | 2,773,000 | 0.32 |
| 16 | CHAI FOO NGEE | 2,332,000 | 0.27 |
| 17 | NUN KWONG HOLDINGS PTE LTD | 2,288,000 | 0.27 |
| 18 | QIU JIAN SHENG | 2,141,000 | 0.25 |
| 19 | NANYANG GUM BENJAMIN MANUFACTURING (PTE) LTD | 1,902,000 | 0.22 |
| 20 | NG LI YUN PEARLY | 1,900,000 | 0.22 |
| | **TOTAL** | **698,125,742** | **81.14** |

## SUBSTANTIAL SHAREHOLDERS (AS AT 16 MARCH 2015)

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Hong Qing Liang [1] | 23,432,000 | 2.72 | 480,000,000 | 55.80 |
| Hong's Holdings Private Limited [2] | 480,000,000 | 55.80 | – | – |
| Mackenzie Financial Corporation (as trustee) [3] * | 43,445,000 | 5.050 | – | – |
| Mackenzie Inc. [4] * | – | – | 43,445,000 | 5.050 |
| IGM Financial Inc. [5] * | – | – | 43,445,000 | 5.050 |
| Power Financial Corporation [6] * | – | – | 43,445,000 | 5.050 |
| 171263 Canada Inc. [7] * | – | – | 43,445,000 | 5.050 |
| Power Corporation of Canada [8] * | – | – | 43,445,000 | 5.050 |
| Gelco Enterprises Ltd. [9] * | – | – | 43,445,000 | 5.050 |
| Nordex Inc. [10] * | – | – | 43,445,000 | 5.050 |
| Pansolo Holding Inc. [11] * | – | – | 43,445,000 | 5.050 |
| Jacqueline Desmarais [12] | – | – | 43,445,000 | 5.050 |
| Paul Desmarais Jr. [13] | – | – | 43,445,000 | 5.050 |
| Andre Desmarais [14] | – | – | 43,445,000 | 5.050 |
| Michel Plessis-Belair [15] | – | – | 43,445,000 | 5.050 |
| Guy Fortin [16] | – | – | 43,445,000 | 5.050 |

Notes:

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

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

(3) Mackenzie Financial Corporation ("MFC") is the trustee and also the manager of Mackenzie Cundill Emerging Markets Class (the "Fund") which is organised as a unit trust. MFC, as such trustee, holds legal title to, *inter alia*, the investments held by the Fund.

(4) Mackenzie Inc. is a direct parent company of MFC, which has deemed interests in the Company's shares.

(5) IGM Financial Inc. is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(6) Power Financial Corporation is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(7) 171263 Canada Inc. is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(8) Power Corporation of Canada ("PCC") is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(9) Gelco Enterprises Ltd. is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(10) Nordex Inc. is an indirect parent company of MFC, which has deemed interests in the Company's shares.

(11) Pansolo Holding Inc. controls not less than 20% interest in Nordex Inc. Nordex Inc. is an indirect parent company of MFC, which has deemed interests in the Company's shares.

* All the substantial shareholders are part of the same corporate group of companies.

(12) The Desmarais Family Residuary Trust ("Trust") holds, *inter alia*, indirect controlling interests in, amongst others, PCC, which is an indirect parent company of MFC, which has deemed interests in the Company's shares. In this connection, Jacqueline Desmarais, who is one of five trustees having sole and exclusive administration of the Trust and has been vested with the joint legal title to the assets of the Trust, and who is also entitled during her lifetime to all of the revenue of the assets under the Trust, has deemed interests in the Company's shares.

(13) The Trust holds, *inter alia*, indirect controlling interests in, amongst others, PCC, which is an indirect parent company of MFC, which has deemed interests in the Company's shares. In this connection, Paul Desmarais Jr., who is one of five trustees having sole and exclusive administration of the Trust and has been vested with the joint legal title to the assets of the Trust, has deemed interests in the Company's shares.

(14) The Trust holds, *inter alia*, indirect controlling interests in, amongst others, PCC, which is an indirect parent company of MFC, which has deemed interests in the Company's shares. In this connection, André Desmarais, who is one of five trustees having sole and exclusive administration of the Trust and has been vested with the joint legal title to the assets of the Trust, has deemed interests in the Company's shares.

(15) The Trust holds, *inter alia*, indirect controlling interests in, amongst others, PCC, which is an indirect parent company of MFC, which has deemed interests in the Company's shares. In this connection, Michel Plessis-Bélair, who is one of five trustees having sole and exclusive administration of the Trust and has been vested with the joint legal title to the assets of the Trust, has deemed interests in the Company's shares.

(16) The Trust holds, *inter alia*, indirect controlling interests in, amongst others, PCC, which is an indirect parent company of MFC, which has deemed interests in the Company's shares. In this connection, Guy Fortin, who is one of five trustees having sole and exclusive administration of the Trust and has been vested with the joint legal title to the assets of the Trust, has deemed interests in the Company's shares.

## PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Approximately 34.06% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **FUXING CHINA GROUP LIMITED** (the "Company") will be held at FTSE Room, 9th Floor, Capital Tower, 168 Robinson Road, Singapore 068912 on Tuesday, 28 April 2015 at 9.30 am for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Bye-Laws:

| | | |
|---|---|---|
| Mr Hong Peng You | *(Retiring under Bye-law 86)* | **(Resolution 2)** |
| Mr Hong Shui Ku | *(Retiring under Bye-law 86)* | **(Resolution 3)** |
| Mr Lim Cheng Kee | *(Retiring under Bye-law 85(6))* | **(Resolution 4)** |

**Mr Lim Cheng Kee will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and as a member of the Audit Committee and the Nominating Committee. Mr Lim Cheng Kee will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*

3. To approve the payment of Directors' fees of S$116,000 for the year ending 31 December 2015, payable half-yearly in arrears. (2014: S$148,500). **(Resolution 5)**

4 To re-appoint Mazars LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **SHARE ISSUE MANDATE**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or 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) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a *pro rata* basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

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

(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
*[See Explanatory Note (i)]* **(Resolution 7)**

7. **RENEWAL OF SHARE PURCHASE MANDATE**

That for the purposes of the Companies Act of Bermuda and otherwise in accordance with the rules and regulations of The Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised –

(a) to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of this Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Letter to Shareholders attached, and that this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(b) to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.
*[See Explanatory Note (ii)]* **(Resolution 8)**

8. **THE PROPOSED SHARE CONSOLIDATION OF FIFTY (50) SHARES INTO ONE (1) CONSOLIDATED SHARE**

That with the effect from the date to be determined by the Directors of the Company and pursuant to the Bye-laws of the Company, approval be and is hereby given:

(a) for the proposed consolidation of every fifty (50) ordinary shares in the capital of the Company into one (1) Consolidated Share in the capital of the Company with effect from a date to be fixed by the Directors ("Books Closure Date"), in the manner set out in Letter to shareholders ("Proposed Share Consolidation");

(b) any fraction of a Consolidated Share which may arise from the consolidation pursuant to paragraph (a) above shall be disregarded, and all fractions of the Consolidated Shares to which holders of the issued Shares would otherwise be entitled to may be aggregated and sold and the proceeds arising therefrom shall be retained for the benefit of the Company; and

# Notice of Annual General Meeting

(c) the Directors of the Company and each of them be and are hereby authorised to take such steps and exercise such discretion and do all such acts and things as they or he may deem desirable, necessary or expedient to give effect to the matters referred to in paragraphs (a) and (b) including, without limitation, to negotiate, execute and authorize the release of, in the name of and on behalf of the Company, all such agreements, deeds, undertakings, forms, circulars, announcements, instruments, notices, communications and other documents and things, and to approve any amendment, alteration or modification to any such document. **(Resolution 9)**

By Order of the Board

Yeo Poh Noi Caroline
Josephine Toh Lei Mui
Company Secretaries

Singapore, 10 April 2015

**Explanatory Notes to Resolutions to be passed –**

(i) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a *pro rata* basis.

(ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in Letter to Shareholders attached.

**Notes:**

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Meeting.

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

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member/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 & Chief Executive Officer) |
| Hong Peng You | (Executive Director) |
| Hong Shui Ku | (Executive Director) |
| Lim Cheng Kee | (Independent Director) |
| Ho Kah Leong | (Lead Independent Director) |
| Qiu Qing Yuan | (Independent Director) |

## Audit Committee

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

## Remuneration Committee

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

## Nominating Committee

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

## Joint Company Secretaries

Yeo Poh Noi Caroline, FCIS
Toh Lei Mui, ACIS

## Registered Office

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

## China Headquarter

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

## Auditors

Mazars LLP
133 Cecil Street
#15-02 Keck Seng Tower
Singapore 069535

Partner-in-charge
Chan Hock Leong
(since financial year ended 31 December 2012)

## Bermuda Share Registrar

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton Hm11, Bermuda

## Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## Principal Bankers

China Construction Bank
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Rural Commercial Bank
The Bank of East Asia
Xiamen International Bank
Rural Commercial Bank of Jinjiang Fujian
Fujian Jinjiang Agricultural Bank - Longhu Branch
China CITC Bank
Hang Seng Bank

## Legal Counsel

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

福兴集团
FUXING GROUP

# Symbolic Brand of China

