FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)
(Co. Reg. No: 38973)

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Statement of Comprehensive Income for the year ended 31 December 2020. These figures have not been audited.

	Group		
	Year Ended 31/12/2020 Unaudited	Year Ended 31/12/2019 Audited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Revenue	697,908	740,704	(6)
Cost of sales	(679,510)	(700,580)	(3)
Gross profit	18,398	40,124	(54)
Other income and expenses	(65,399)	(14,419)	354
Selling and distribution expenses	(6,274)	(5,924)	6
General and administrative expenses	(77,485)	(51,315)	51
Loss from operating activities	(130,760)	(31,534)	315
Finance income	1,071	656	63
Finance expense	(12,825)	(14,964)	(14)
Loss before taxation	(142,514)	(45,842)	211
Income tax expense	(5,307)	6,983	NM
Loss for the year attributable to shareholders	(147,821)	(38,859)	280
Statement of Comprehensive Income			
Net loss for the year	(147,821)	(38,859)	280
Other comprehensive income/(loss) for the year			
Exchange differences on translating foreign operations	9,833	(2,070)	NM
Total comprehensive loss for the year	(137,988)	(40,929)	237
Net loss attributable to:			
Equity holders of the Company	(148,058)	(39,118)	278
Non-controlling interests	237	259	(9)
Total comprehensive loss attributable to:			
Equity holders of the Company	(138,225)	(41,188)	236
Non-controlling interests	237	259	(9)

NM: Not Meaningful

Note: The Group's loss before taxation is determined after charging / (crediting) the following items:

	Group		
	Year Ended 31/12/2020 Unaudited	**Year Ended 31/12/2019 Audited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Allowance for doubtful trade receivables	28,584	5,627	408
(Written back)/Allowance for advances to suppliers	(1,226)	316	NM
Allowance for obsolescence and slow-moving stocks	410	2,270	(82)
Amortisation of land use rights	905	905	-
Written off of property, plant and equipment	87	2,154	(96)
Fair value loss from valuation on investment property	34,982	37,600	(7)
Fair value loss from valuation on assets held for sale	3,395	-	100
Fair value loss from valuation on property, plant and equipment	3,215	-	100
Loss on disposal of assets held for sale	19,441	-	100
Provision for/(written back) of social security contribution	1,830	(2,373)	NM
Depreciation of property, plant and equipment	33,688	33,277	1
Foreign exchange loss/(gain), net	10,874	(2,025)	NM
Salaries and bonuses	63,777	60,400	6

NM: Not Meaningful

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/2020 Unaudited	31/12/2019 Audited	31/12/2020 Unaudited	31/12/2019 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	211,073	265,554	-	-
Investment property	-	472,900	-	-
Land use rights	26,027	26,932	-	-
Prepayment for machinery purchase	41,920	180	-	-
Investment in subsidiaries	-	-	344,853	344,853
Total non-current assets	279,020	765,566	344,853	344,853
Current assets				
Inventories	36,157	42,674	-	-
Properties held for sale	40,371	-	-	-
Trade and other receivables	239,360	255,078	2	2
Advances to suppliers	89,766	70,752	-	-
Amount due from subsidiaries (non-trade)	-	-	184,815	333,288
Fixed deposits	36,500	60,000	-	-
Cash and bank balances	160,772	27,512	175	378
Total current assets	602,926	456,016	184,992	333,668
Total assets	881,946	1,221,582	529,845	678,521
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	8,426	7,228	-	-
Bills payable to banks	108,449	127,951	-	-
Other payables & accruals	105,503	146,123	2,048	2,179
Amount due to a director (non-trade)	2,756	19,202	3,050	1,910
Short-term bank loans	149,710	271,186	-	-
Income tax payable	4,086	4,531	-	-
Total current liabilities	378,930	576,221	5,098	4,089
Non-current liabilities				
Deferred tax liabilities	18,292	22,469	-	-
Total non-current liability	18,292	22,469	-	-
Total liabilities	397,222	598,690	5,098	4,089
Equity				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	66,457	66,457	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(885)	(10,718)	-	-
Accumulated losses	(269,158)	(121,100)	(280,992)	(131,307)
Attributable to equity holders of the Company	484,275	622,500	524,747	674,432
Non-controlling interests	449	392	-	-
Total equity	484,724	622,892	524,747	674,432
Total equity and liabilities	881,946	1,221,582	529,845	678,521

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 31 December 2020		As at 31 December 2019	
	Secured RMB'000	**Unsecured RMB'000**	**Secured RMB'000**	**Unsecured RMB'000**
Bills payable to banks				
- China CITIC Bank[1]	63,000	-	83,000	-
- China Construction Bank[2]	10,000	-	30,000	-
- Bank of China (Hong Kong)[4]	35,449	-	14,951	-
Short-term bank loans				
- China CITIC Bank[1]	102,500	-	102,500	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch[3]	9,600	-	75,000	-
- Bank of China (Hong Kong)[4]	6,610	-	19,686	-
- China Construction Bank Dongqu Branch[5]	-	-	55,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch [6]	19,000	-	19,000	-
- Bank of Communications – Jinjiang Branch [7]	12,000	-	-	-

Notes:

[1] The bills payable of RMB63.0 million and short-term bank loan of RMB102.5 million were 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 People's Republic of China ("the PRC"), and a 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..

[2] The RMB10 million bills payable was 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 (spouse of Mr. Hong Qing Liang).

[3] The short-term bank loan of RMB9.6 million 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, a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), corporate guarantees from a subsidiary - Jinjiang Fuxing Dress Co. Ltd., and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd..

[4] The bills payable of RMB35.4 million and the short-term loan of RMB6.6 million were secured by a charge over investment property (Unit 13 on 5th Floor, Unit 15 on 16th Floor and Unit 15 on 25th Floor, Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon) owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

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

[5] This loan was 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. The loan was fully settled in 1H2020.

[6] This loan was 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 a corporate guarantee from an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

[7] This loan was guaranteed by several properties owned by - Mr. Hong Qing Liang (Executive Chairman and CEO), Mr. Hong Peng You (Executive Director) and the Group's management staff (Mr. Hong Shui Ku, Mr. Hong Qing Ke and Mr. Wu Jin Fan).

1(c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Year Ended 31/12/2020 Unaudited RMB'000	Year Ended 31/12/2019 Audited RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(142,514)**	**(45,842)**
Adjustments for:		
Depreciation of property, plant and equipment	33,688	33,277
Amortisation of land use rights	905	905
Written off of property, plant and equipment	87	-
Fair value loss from valuation on property, plant and equipment	3,215	2,153
Fair value loss from valuation on assets held for sale	3,395	-
Fair value loss from valuation on investment property	34,982	37,600
Loss on disposal of assets held for sale	19,441	-
Allowance for doubtful trade receivables	28,584	5,627
(Written back)/Allowance for advances to suppliers	(1,226)	316
Allowance for obsolescence and slow-moving stocks	410	2,270
Provision for/(written back) of social security contribution	1,830	(2,373)
Interest expense	12,825	14,964
Interest income	(1,071)	(656)
Foreign currency difference	9,315	(1,534)
Total adjustments	146,380	92,549
Operating cash flows before changes in working capital	**3,866**	**46,707**
(Increase)/ Decrease in:		
Inventories	6,105	25,246
Trade and other receivables	(20,179)	7,989
Prepayments	(17,788)	13,574
Increase/ (Decrease) in:		
Trade payables	1,199	2,236
Other payables & accruals	(54,639)	(32,232)
Due to directors	(16,446)	(37,476)
Total changes in working capital	(101,748)	(20,663)
Cash flows (used in) /generated from operations	**(97,882)**	**26,044**
Income tax paid	(9,928)	(1,383)
Net cash (used in) /generated from operating activities	**(107,810)**	**24,661**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(48,949)	(35,839)
Proceeds from disposal of assets held for sale	409,943	-
Cost of disposal of assets held for sale	(10,532)	-
Interest income received	1,071	656
Net cash generated from /(used in) investing activities	**351,533**	**(35,183)**
FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(180)	-
Proceeds from short-term borrowings	246,118	300,488
Repayments for short-term borrowings	(379,901)	(266,202)
(Increase) / Decrease in fixed deposits pledged to banks	23,500	(20,000)
Net cash (used in) /generated from financing activities	**(110,463)**	**14,286**
NET INCREASE IN CASH & CASH EQUIVALENTS	**133,260**	**3,764**
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,512**	**23,748**
CASH & CASH EQUIVALENTS AT END OF YEAR (Note A)	**160,772**	**27,512**

Note A:

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

	Year Ended 31/12/2020 Unaudited RMB'000	Year Ended 31/12/2019 Audited RMB'000
Fixed deposits	36,500	60,000
Cash and bank balances	160,772	27,512
	197,272	87,512
Less: Fixed deposits (pledged)	(36,500)	(60,000)
Cash and cash equivalents	160,772	27,512

Fixed deposits amounting to RMB36,500,000 (2019: RMB60,000,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts.

1(d)(i) A statement for the issuer and group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve[1]	Translation reserve	Equity holders of the Company	Non-controlling interests	Total equity
Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2019	772,574	(6,408)	66,015	39,573	(117,878)	(8,648)	(81,540)	133	663,821
Total comprehensive loss for the year	-	-	-	-	-	(2,070)	(39,118)	259	(40,929)
Transferred to reserve fund	-	-	442	-	-	-	(442)	-	-
At 31 December 2019	772,574	(6,408)	66,457	39,573	(117,878)	(10,718)	(121,100)	392	622,892
At 1 January 2020	772,574	(6,408)	66,457	39,573	(117,878)	(10,718)	(121,100)	392	622,892
Total comprehensive loss for the year	-	-	-	-	-	9,833	(148,058)	237	(137,988)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(180)	(180)
At 31 December 2020	772,574	(6,408)	66,457	39,573	(117,878)	(885)	(269,158)	449	484,724

	Share capital	Treasury shares	Contributed surplus	Accumulated (losses)	Total equity
Company	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2019	772,574	(6,408)	39,573	(82,236)	723,503
Total comprehensive loss for the year	-	-	-	(49,071)	(49,071)
At 31 December 2019	772,574	(6,408)	39,573	(131,307)	674,432
At 1 January 2020	772,574	(6,408)	39,573	(131,307)	674,432
Total comprehensive loss for the year	-	-	-	(149,685)	(149,685)
At 31 December 2020	772,574	(6,408)	39,573	(280,992)	524,747

Note:

[1] **Restructuring reserve:**

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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding year.

(1) During the year ended 31 December 2020, there was no change in the Company's share capital.

(2) There were no shares that may be issued on conversion of all the outstanding convertibles as at 31 December 2020 and 31 December 2019.

(3) For the year ended 31 December 2020, there were nil subsidiary holdings.

(4) For the year ended 31 December 2020, there was a total of 277,720 treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 December 2020	As at 31 December 2019
Total number of issued shares excluding treasury shares	17,205,438	17,205,438

There were a total of 277,720 treasury shares as at 31 December 2020 and 31 December 2019.

Percentage of treasury shares held against total number of issued shares (excluding treasury shares) is 1.61%.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	Treasury shares
Total number of shares as at 1 January 2020	277,720
Purchases of shares during the year	-
Total number of shares as at 31 December 2020	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 December 2020.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings at the end of the current financial period reported on.

There were no subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable. The latest audited financial statements of the Company for the financial year ended 31 December 2019 did not have any adverse opinion, qualified opinion or disclaimer of opinion.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2019 have been applied in the preparation for the financial statements for the financial year ended 31 December 2020.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of the new/revised FRS and INT FRS does not have any material financial impact on the Group's and Company's financial statements for the current period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Loss per ordinary share of the group, after deducting any provision for preference dividends (in cents) (in RMB):	**Group**	
	Year ended 31/12/2020	**Year ended 31/12/2019**
(a) Basic and	(8.6)	(2.3)
(b) On a fully diluted basis	(8.6)	(2.3)

Note: Basic loss per share is computed based on weighted average number of shares in issue as at 31 December 2020: 17,205,438 ordinary shares (2019: 17,205,438).

For the year ended 31 December 2020 and 2019, the basic and diluted loss per share of the Group are the same as there were no potential diluting ordinary shares outstanding as at 31 December 2020 and 2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**
Net asset value per ordinary share based on issued share capital at the end of the period (in RMB): (Number of ordinary shares in issue as at 31/12/2020 : 17,205,438 (as at 31/12/2019 : 17,205,438 shares)	28.1	36.2	30.5	39.2

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	Group		
	Year Ended 31/12/2020 Unaudited	**Year Ended 31/12/2019 Audited**	**Increase/ (Decrease)**
REVENUE	**RMB'000**	**RMB'000**	**%**
Zipper	399,196	411,477	(3)
Trading	249,304	271,987	(8)
Processing	73,156	76,914	(5)
Inter-segment sales	(23,748)	(19,674)	21
Total Group Revenue	697,908	740,704	(6)
COST OF SALES			
Zipper	385,345	381,979	(1)
Trading	244,141	264,441	(8)
Processing	73,772	73,834	(0)
Inter-segment sales	(23,748)	(19,674)	21
Total Group Cost of Sales	679,510	700,580	(3)
GROSS PROFIT			
Zipper	13,851	29,498	(53)
Trading	5,163	7,546	(32)
Processing	(616)	3,080	NM
Total Gross Profit	18,398	40,124	(54)
GROSS PROFIT MARGIN			
	%	**%**	**% pts**
Zipper	3.5	7.2	(3.7)
Trading	2.1	2.8	(0.7)
Processing	(0.8)	4.0	(4.8)
Average Gross Profit Margin	2.6	5.4	(2.8)

FY2020 vs. FY2019

Revenue

The Group's revenue decreased by RMB42.8 million (or 6%) to RMB697.9 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB12.3 million), the Trading segment (RMB22.7 million), and the Processing segment (RMB3.8 million).

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

The decreases in revenue in the Zipper segment and the Processing segment were mainly due to the COVID-19 pandemic which adversely affected the global economy. This had resulted in the decrease of sales order from customers.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance to customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during FY2020.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB21.7 million (or 54%) to RMB18.4 million. The decrease was due to the decrease in gross profit from the Zipper segment, Trading segment and Processing segment. Processing segment suffered a gross loss as the revenue was not sufficient to cover its fixed production overheads.

Average gross profit margin decreased by 2.8 percentage points to 2.6% mainly due to the decrease in gross profit margin from the Zipper segment, arising from the decrease in the selling prices. As a result of the COVID-19 pandemic, some of the Group's PRC customers were facing a more challenging business environment than before and had requested for bigger price reductions. The Group had obliged to these customers' requests in order to retain these customers to keep the production orders.

Other income and expenses

Other income comprises government subsidies, sales of scrap materials, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ"). Other expenses comprised fair value loss from valuations on investment property, property, plant and equipment and assets held for sale and loss on disposal of assets held for sale.

The fair value loss from valuation on investment property (RMB35.0 million) arose at the time for reclassification to assets held for sale. For a transfer from investment property carried at fair value to assets held for sale, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use. As at 31 December 2020, the fair value loss from valuation on assets held for sale (RMB3.4 million) and fair value loss from valuation on property, plant and equipment (RMB3.2 million) arose due to the decrease in fair value of Xiamen HQ arising from an valuation performed by an independent professional valuer in FY2020.

The loss on disposal of assets held for sale (RMB19.4 million) was recognised at the time of completion of the disposal and sales of all units of the Disposal Property at Xiamen HQ. Please refer to the announcements released on 4 December 2020 and 3 February 2021, pertaining to "Update on Completion of the Disposal of Xiamen HQ and Use of Proceeds".

The foreign exchange loss arose from the appreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances

owing from subsidiaries in the Company's book due to appreciation of RMB against HK dollar.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.4 million (or 6%) to RMB6.3 million mainly due to increase in transportation costs incurred for shipments of the goods. As a result of the COVID-19 outbreak, additional costs had to be incurred to rent new shipping containers to ship out the goods.

General and administrative expenses

General and administrative expenses increased by RMB26.2 million (or 51%) to RMB77.5 million. This was mainly due to the increase in allowance for doubtful debts and increase in provision for social security contribution. The increase was partially offset by written back of allowance for advances to suppliers.

The allowance for doubtful trade receivables amounted to RMB28.6 million arose from longer credit period requested by some customers. Due to the challenging business environment facing by some of the Group's PRC customers, the Group had obliged to these customers' request for longer credit terms in order to retain them. According to the Group's accounting policy, the extended credit period will be accounted for allowance for doubtful debts on a prudent basis.

Provision for social security contribution represented the under-provision of social security contributions in FY2020 and FY2019. The Group had made a more detailed computation of the provision required for social security contributions for FY2020 and FY2019 to ensure full compliance with the prevailing PRC rules and regulations. The significant increase was mainly because the local government allowed the Group to defer the payment of social security contributions.

The written back of allowance for advances to suppliers amounted to RMB1.2 million following the receipt of raw materials in the FY2020.

Finance income and expenses

Finance expenses decreased by RMB2.1 million to RMB12.8 million. This was mainly due to the repayment of short-term bank loans in 2H2020.

Finance income increased by RMB0.4 million (or 63%) to RMB1.1 million was mainly due to the increase in cash and bank balance after the receipt of disposal proceeds of Xiamen HQ.

Tax expense

	Group		
	Year Ended 31/12/2020 Unaudited	**Year Ended 31/12/2019 Audited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	1,210	2,103	(42)
Current tax – property tax[2]	8,199	-	100
Deferred tax[3]	(4,102)	(9,086)	(55)
Tax expense/(credit)	5,307	(6,983)	NM

Notes:

[1] Current tax decreased by RMB0.9 million or 42% was in line with the decrease in profit before taxation in FY2020.

[2] Current tax for property tax is charged on the disposal consideration of the investment property.

[3] Deferred tax credit arose from temporary differences in the fair value of the investment property arising from revaluation of the investment property.

FINANCIAL POSITIION

Non-current assets

As at 31 December 2020, non-current assets amounted to RMB279.0 million comprising property, plant and equipment, land use rights and prepayments.

The Group's property, plant and equipment amounted to RMB211.1 million, a decrease of 21% (or RMB54.5 million) compared to RMB265.6 million as at 31 December 2019. The decrease was mainly due to the reclassification of 24th floor of the office building under property, plant and equipment to properties held for sale as a result of the Company's intention to dispose part of its office building within a year. The 24th floor was originally intended for the Group's own usage, thus the value was classified under "Property, plant and equipment". Upon receiving buyers' interests for the 24th floor, the Group decided to also sell the 24th floor.

The investment property was reclassified to properties held for sale under current asset subsequent to the entering into provisional sale and purchase agreements (collectively, "Provisional SPAs") with independent third party purchasers ("Purchasers"), for the sale of part of the Company's office building ("Proposed Disposal of Property"). Please refer to the Company's announcement released on 6 July 2020.

The prepayment balance as at 31 December 2020 represented the deposit paid for purchase of machineries. During FY2020, the Company entered into an agreement for purchase of machineries to automate the production process of zippers.

Current assets

As at 31 December 2020, current assets amounted to RMB602.9 million, an increase of 32% (or RMB146.9 million) compared to RMB456.0 million as at 31 December 2019. This was largely due to an increase in properties held for sale, advances to suppliers, cash and bank balances.

The Group retained inventories of 2 months' raw materials to satisfy the production requirements for 1st quarter 2021.

Properties held for sale represented the remaining office units in the lower floors of level 2 to 4 in Xiamen HQ. Under SFRS5 "Non-current Assets Held for Sale and Discontinued Operations", the remaining office units in Xiamen HQ are available for sale upon receipt of buyers' offers.

The increase in advances to suppliers was mainly due to suppliers' requirements of full payments to be made before delivery of raw materials to the Company especially after COVID-19 outbreak whereby the supply of raw materials was not stable and had to be secured in advance.

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

Cash and bank balances increased from RMB27.5 million to RMB160.8 million after completion of the disposal of the office building in Xiamen HQ.

Current liabilities

As at 31 December 2020, total current liabilities were RMB378.9 million, a decrease of 34% (or RMB197.3 million) compared to RMB576.2 million as at 31 December 2019. This was mainly attributable to the decrease in bills payable to banks, short-term bank loans, amount due to a director, other payables and accruals. The increase was partially offset by the increase in trade payables.

The decrease in other payables and accrual was mainly due to deposits received from the purchasers of office building in Xiamen HQ were recognised as other income at the time of completion of disposal.

The short-term bank loan decreased by RMB121.5 million (or 45%) to RMB149.7 million as at 31 December 2020 compared to RMB271.2 million as at 31 December 2019. This was mainly due to the utilisation of disposal proceeds to repay short-term bank loans after the completion of the disposal of office building in Xiamen HQ.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the payment of the Company's professional fees and expenses. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who had also agreed that all his personal loans granted shall be interest free. The decrease in amount due to Mr Hong Qing Liang was due to the repayments made to him in FY2020.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The decrease in deferred tax liabilities was mainly due to the deferred tax credit in FY2020 as explained above under the note (3) for tax expense.

CASH FLOW

Operating activities

Net cash flows used in operating activities in FY2020 amounted to RMB107.8 million while net cash flows generated from operating activities in FY2019 amounted to RMB24.7 million. This was mainly due to the increase in inventories, advances to suppliers, trade and other receivables, other payables and repayment of amount due to director.

Investing activities

Net cash flows generated from investing activities in FY2020 amounted to RMB351.5 million while net cash flows used in investing activities in FY2019 amounted to RMB35.2 million. This was mainly due to the proceeds received from the purchasers for the disposal of the office building in Xiamen HQ.

Financing activities

Net cash flows used in financing activities in FY2020 amounted to RMB110.5 million while net cash flows generated from financing activities in FY2019 amounted to RMB14.3 million. This was mainly due to the higher repayments of short-term bank loans in FY2020 as compared to FY2019.

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

The performance for FY2020 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 14 August 2020.

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

The Group continues to operate under a highly challenging and competitive environment as the zipper industry in the People's Republic China ("PRC") faces intense competition with razor thin profit margins.

The Group expects the uncertainties from the current trade war tension between the United States and PRC to have a negative impact on the revenue of the Group going forward. Cost pressures arising from higher production and labour costs will also continue to affect the Group's operating outlook for the next twelve months. The Group is automating its manufacturing process progressively to mitigate the above mentioned cost pressures. The Group intends to sharpen its competitive edge with automation and improve the quality

of its zippers, so that the Group is able to secure higher margin sales orders from new customer segments. In addition, the Group will also keep a tight rein over its operating costs and monitor its receivables and collections closely.

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

After the break from Chinese New Year, the Group experienced some delays in the commencement of production as the workers were staggered to return to work due to concerns over the COVID-19 outbreak. In the subsequent months, the Group has progressively resumed operations with normalcy returning and as of to date, the Group is able to fulfill the customers' orders on time.

Update on the Company's Proposed Disposal of Property-completion and use of proceeds

The Company refers to the announcement dated 4 December 2020 and 3 February 2021 and wishes to update that the Group has completed the disposal and sale of all units of the Disposal Property (the "Disposal"). The Group has received all the sales considerations from the purchasers, save for RMB14.3 million outstanding (which constituted approximately 3.3% of the total sales consideration of RMB430.3 million receivable) to be received from two purchasers who are pending the relevant bank approvals for their office units.

As at the date of this announcement, the net proceeds raised from the Disposal amounted to approximately RMB372.3 million after excluding the sales consideration receivable of RMB14.3 million (as mentioned above) and deducting the related costs and expenses in connection with the Disposal. The updates on the utilisation of the net proceeds from the Disposal as disclosed in the Circular are as follows:

Intended use of net proceeds as disclosed in the Circular (In RMB'000)	Amount allocated	Amount utilised	Balance to be utilised
Repayment of bank borrowings including the mortgage loan for the office building	170,000	170,000	-
Automation plan to upgrade and replace its machineries	110,000	38,000	72,000
Working capital	71,731	71,731	-
Repayment of director's loans	23,000	17,000	6,000
Total	374,731	296,731	78,000

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not Applicable

(d) Record date

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend declared as the Group and the Company is in a loss position.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company is not required to have a general mandate from shareholders for IPTs.

14. Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7)

The Company hereby confirms that it has procured undertakings from all of its directors and executive officers under Rule 720(1) of the Listing Manual.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Group	**Zipper**	**Trading**	**Processing**	**Corporate**	**Elimination**	**Total**
31 December 2020	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue:						
Sales to external customers	399,329	249,304	49,275	-	-	697,908
Inter-segment sales	-	-	23,748	-	(23,748)	-
Total revenue	399,329	249,304	73,023	-	(23,748)	697,908
Results:						
Segment gross profit	13,851	5,163	(616)	-	-	18,398
Segment results	(34,249)	(8,550)	(10,465)	(77,496)	-	(130,760)
Finance income	1,035	-	12	24	-	1,071
Finance expense	(9,401)	(1,118)	(1,429)	(877)	-	(12,825)
Loss before income tax						(142,514)
Tax expenses						(5,307)
Net loss attributable to shareholders						(147,821)
Other segment information						
Fair value loss from valuation on investment property	-	-	-	34,982	-	34,982
Fair value loss from valuation on assets held for sale				3,395		3,395
Fair value loss from valuation on property, plant and equipment				3,215		3,215
Loss on disposal of assets held for sale				19,441		19,441
Depreciation and amortization	20,313	1	11,424	1,950	-	33,688
Total assets	**517,559**	**68,911**	**227,892**	**67,584**	**-**	**881,946**
Capital expenditure for property, plant and equipment	5,500	-	1,709	-	-	7,209
Total liabilities	**(289,986)**	**(42,720)**	**(63,448)**	**(1,068)**	**-**	**(397,222)**

Group	Zipper	Trading	Processing	Corporate	Elimination	Total
31 December 2019	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue:						
Sales to external customers	411,477	271,987	57,240	-	-	740,704
Inter-segment sales	-	-	19,674	-	(19,674)	-
Total revenue	411,477	271,987	76,914	-	(19,674)	740,704
Results:						
Segment gross profit	29,498	7,546	3,080	-	-	40,124
Segment results	4,762	5,891	(9,050)	(33,137)	-	(31,534)
Finance income	639	-	3	14	-	656
Finance expense	(9,049)	(1,193)	(2)	(4,720)	-	(14,964)
Loss before income tax						(45,842)
Tax expenses						6,983
Net loss attributable to shareholders						(38,859)
Other segment information						
Fair value loss from valuation on investment property	-	-	-	37,600	-	37,600
Depreciation and amortization	20,055	1	11,713	2,413	-	34,182
Total assets	**476,683**	**77,615**	**138,810**	**528,474**	**-**	**1,221,582**
Capital expenditure for property, plant and equipment	21,892	-	13,728	39	-	35,659
Total liabilities	**(357,051)**	**(35,429)**	**(73,473)**	**(132,737)**	**-**	**(598,690)**

Note: Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical information

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

	Revenue		Non-current assets	
	2020	**2019**	**2020**	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	448,604	468,717	279,019	765,565
Hong Kong	249,304	271,987	1	1
Total	697,908	740,704	279,020	765,566

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.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

17. A breakdown of sales.

	Group		
	FY2020	**FY2019**	**Increase/ (decrease)**
	RMB'000	**RMB'000**	**%**
(a) Sales reported for first half year	337,228	370,952	(9)
(b) Operating loss after tax before deducting non-controlling interests reported for first half year	(3,981)	(1,936)	106
(c) Sales reported for second half year	360,680	369,752	(2)
(d) Operating (loss)/profit after tax before deducting non-controlling interests reported for second half year	(143,840)	(36,923)	290

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	31 December 2020	**31 December 2019**
Ordinary	-	-
Preference	-	-
Total:	-	-

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes to duties and position held, if any, during the year
Hong Shao Lin	31	Son of Mr Hong Qing Liang – Executive Chairman, Chief Executive Officer and Substantial Shareholder	General Manager of Jinjiang Fookhing Zipper Co. Ltd ("Jinjiang FZ"), a subsidiary of the Company, since April 2013. Overseeing the operations of Jinjiang FZ.	No change

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

26 February 2021