1. **COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES**

CHARGEURS PCC China Manufacturing (Original name: Lainiere De Picardie (Wujiang) Textiles Company Limited) (“the Company”) is a wholly foreign-owned company incorporated on 9 March 1995 with an approved operating period of 50 years. The registration number of the Company’s business license is 9132050960829641X9. The Company’s registered capital is USD 20,543,074.44 and. its legal representative is changed to Gui Dongqing on 14 March, 2022. The headquarter of the Company locates in No 199, Liuxu Road, Wujiang Economic Development Zone, Suzhou City, Jiangsu Province.

The Company’s approved operating scope includes processing interlining, sales of self-produced products, export, import and export of the above products and the products of the same type and related business (if administrative licensing is required, operate with licenses). General item: labor protection products production; labor protection supplies sales; home textile finished products production; needle textile and raw material sales; industrial textile manufactured goods production; industrial textile finished products sales; clothing research and development; clothing manufacturing; clothing Wholesale; clothing and apparel retail; high performance fiber and composite sales. (if administrative licensing is required, operate with licenses)

The Company’s parent company is FITEXIN. The ultimate controlling party is Chargeurs Entoilage S.A..

The financial statements have been approved for disclosure by Board of Directors on April 11, 2023.

1. **BASIS OF PREPARATION**

The financial statements have been prepared on going concern basis, and in accordance with the Accounting Standards for Business Enterprises-Basic Standard and the Accounting System for Business Enterprises as promulgated by the central government of the People’s Republic of China.

1. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year.

Functional currency

The Company’s reporting and presentation currency is the Renminbi (“RMB”). Unless otherwise stated, the unit of the currency is Yuan.

Basis of accounting and measurement bases

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs on acquisition and subsequently adjusted for assets impairment, if any.

1. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)**

Foreign currency translation

Except for the accounting treatment of paid-in capital, foreign currency transactions are translated into RMB at the exchange rates stipulated by the People’s Bank of China (‘the stipulated exchange rates”) on the first day of the month in which the transactions took place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the stipulated exchange rates at the balance sheet date. Exchange differences arising from these translations are recognized into profit and loss for the current period.

Contributions to paid-in capital made in foreign currencies are translated into the RMB denominated paid-in capital account at the stipulated exchange rates at the contribution dates. Translation differences arising from the use of different exchange rates to translate the related assets and paid-in capital are recorded as capital surplus.

Cash and cash equivalents

Cash comprises the Company’s cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Company, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables and bad debts provision

Receivables comprise accounts receivable and other receivables. The provision method is used to account for potential bad debts identified by management. Receivables are presented at actual amounts net of provision for bad debts.

The Company makes specific bad debts provision on an individual basis for receivables that are distinctively different from any other receivables in recoverability.

Where evidence exists, that balances cannot be recovered, bad debts ate recognized and the corresponding provision for bad debts is written off.

Inventory

Inventories include raw materials, work in progress and finished goods, etc., and are presented at the lower of cost and net realizable value.

Inventories are recorded at their cost on acquisition, and cost is calculated using the moving weighted average method when issued. Packaging materials are expensed in full upon issuance. The cost of finished goods and work in progress comprises raw material, direct labor and an appropriate allocation of all production overhead expenditures incurred based on normal operating capacity.

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying amount of the inventories is higher than their net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale.

1. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)**

Fixed assets and depreciation

Fixed assets are tangible assets that are used in production, rendering of services or held for management purposed, which have useful lives of over one year and high unit price.

Fixed assets purchased or constructed by the Company are recorded at cost.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows.

Estimated Estimated Annual

useful life residual value Depreciation rate

Plant and buildings 20 years 10% 4.5%

Machinery and equipment 10-20 years 10% 4.5%-9%

Office and other equipment 3-10 years 10% 9%-30%

Motor vehicles 5-10 years 10% 9%-18%

When fixed assets are sold, transferred, disposed of damaged, gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets, adjusted by related taxed and expenses, and are included in non-operating income or expenses.

Repairs and maintenance of fixed assets are expensed as incurred. Subsequent expenditures for major reconstruction, expansion, improvement and renovation are capitalized when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Company.

Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using the straight-line method over the remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated on the straight-line basis over the expected beneficial periods.

Construction in progress

Construction in progress represents capital assets under construction or installation, which is recorder at actual cost. Cost comprised the original cost of machinery and equipment, installation costs, other direct costs and borrowing costs on specific borrowings for financing the construction or acquisition of fixed assets before the assets are ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

1. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)**

Intangible assets

The intangible assets are initially measured by its cost. The respective amortisation period for the intangible asset is as follows:

Useful Life

Land use right 50 years

Software license 5 years

Long-term prepaid expenses

Long-term prepaid expenses are amortized using straight-line method with amortization period as follows:

Amortization period

Decoration expenditure 5 - 10 years

Impairment of assets

In addition to recognition of provisions for impairment loss on receivables and inventories which have been described in their respective accounting policies, individual assets for which there are indications that their carrying values are higher than the recoverable amounts, arising from occurrence of events or changes in circumstances, are reviewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as impairment loss.

The recoverable amount of an individual asset is the higher of its net selling price and its value in use. The net selling price is the amount obtainable from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties, after deducting any incremental direct disposal cost. Value in use is the present value of estimated future cash flows expected to be derived from continuing use of the asset and from its disposal at the end of its useful life.

When there is an indication that the need for an impairment provision recorded in a prior year no longer exists or has decreased the provision for impairment loss is reversed. The increased carrying amount of the assets should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Revenue recognition

Revenue from the sales of goods

Revenue from the sales of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

1. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)**

Revenue recognition (continued)

Interest income

Interest income is recognized on a time proportion basis taking into account deposit balances and the effective yield.

Lease

Leases of assets where all the risks and rewards incident to ownership of the assets are in substance transferred to the lessees are classified as finance leases. An operating lease is a lease other than a finance lease.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the period of the leases

Accounting for income taxes

Income tax is accounted for using the tax payable method, whereby the income tax provision is calculated based on applicable income tax rate and the accounting results for the year after adjusting for items that are non-assessable or disallowed in accordance with the relevant tax laws.

Related parties

If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

1. **TAXES**

The major categories of taxes and respective tax rates:

Value added tax (VAT) – Output VAT calculated by applying 13%, on the taxable income, after subtracting the deductible input VAT of the current period, is VAT payable.

Urban maintenance

and construction tax – Levied at 7% on the turnover taxes paid.

Corporate income

tax – The corporate income tax is levied at 25% on the taxable income.

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS**

**1. Cash and bank balances**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Cash |  | 6,663.63 |  |  | 2,778.63 |  |
|  | Bank deposit |  | 38,601,325.38 |  |  | 2,480,612.45 |  |
|  | Other monetary fund |  | - |  |  | 28,600,000.00 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 38,607,989.01 |  |  | 31,083,391.08 |  |

As at 31 December 2022, there is no restricted cash at bank (31 December 2021：null).

**2. Accounts receivable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Accounts receivable |  | 35,280,176.34 |  |  | 41,923,313.37 |  |
|  | Less: provision for bad debts |  | 190,978.00 |  |  | 239,606.00 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 35,089,198.34 |  |  | 41,683,707.37 |  |

The aging of accounts receivable and related provision for bad debts are analyzed below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 | | | | | | |  |
|  |  |  | Account balance | | | |  |  | Provision for  bad debts |  |
|  |  |  | Amount |  |  | % |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Within 1 year |  | 35,046,575.17 |  |  | 99.34 |  |  | - |  |
|  | 1-2 years |  | 56,653.17 |  |  | 0.16 |  |  | 14,030.00 |  |
|  | Over 3 years |  | 176,948.00 |  |  | 0.50 |  |  | 176,948.00 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 35,280,176.34 |  |  | 100.00 |  |  | 190,978.00 |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2021-12-31 | | | | | | |  |
|  |  |  | Account balance | | | |  |  | Provision for  bad debts |  |
|  |  |  | Amount |  |  | % |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Within 1 year |  | 41,706,365.37 |  |  | 99.48 |  |  | 22,658.00 |  |
|  | 2-3 years |  | 128,388.00 |  |  | 0.31 |  |  | 128,388.00 |  |
|  | Over 3 years |  | 88,560.00 |  |  | 0.21 |  |  | 88,560.00 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 41,923,313.37 |  |  | 100.00 |  |  | 239,606.00 |  |

Movement of bad debt provision is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Opening balance |  |  | Write off |  |  | Reversal |  |  | Accrual |  |  | Closing balance |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Provision |  | 239,606.00 |  |  | - |  |  | 48,628.00 |  |  | - |  |  | 190,978.00 |  |

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS (continued)**

**3. Other receivables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Other receivables |  | 295,723.07 |  |  | 414,442.36 |  |
|  | Less: provision for bad debts |  | - |  |  | - |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 295,723.07 |  |  | 414,442.36 |  |

The aging of other receivables and related provision for bad debts is analyzed below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 | | | | | | |  |
|  |  |  | Account balance | | | |  |  | Provision for  bad debts |  |
|  |  |  | Amount |  |  | % |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Within 1 year |  | 288,223.07 |  |  | 97.46 |  |  | - |  |
|  | 2-3 years |  | - |  |  | - |  |  | - |  |
|  | Over 3 years |  | 7,500.00 |  |  | 2.54 |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 295,723.07 |  |  | 100.00 |  |  | - |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2021-12-31 | | | | | | |  |
|  |  |  | Account balance | | | |  |  | Provision for  bad debts |  |
|  |  |  | Amount |  |  | % |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Within 1 year |  | 391,242.36 |  |  | 94.40 |  |  | - |  |
|  | 1-2 years |  | 5,000.00 |  |  | 1.21 |  |  | - |  |
|  | Over 3 years |  | 18,200.00 |  |  | 4.39 |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 414,442.36 |  |  | 100.00 |  |  | - |  |

As at 31 December 2022 and 2021, the ageing of other receivables was within one year and over one year, in which over 1 year were deposit, petty cash and balance due from related parties, the management think there was no bad debts risk, so no provision for bad debts was required.

**4. Inventories**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Raw materials |  | 5,274,797.60 |  |  | 4,319,911.88 |  |
|  | Work in progress |  | 3,177,656.00 |  |  | 3,952,008.00 |  |
|  | Finished goods |  | 14,181,069.92 |  |  | 22,274,617.88 |  |
|  | Goods shipped in transit |  | 294,056.43 |  |  | 1,305,682.10 |  |
|  | Less: Provision for diminution in  value of inventories |  | 3,463,411.56 |  |  | 5,104,171.56 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 19,464,168.39 |  |  | 26,748,048.30 |  |

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS (continued)**

**4. Inventories (continued)**

Provision for diminution in value of inventories is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Opening balance |  |  | Addition |  |  | Reversal |  |  | Write off |  |  | Closing balance |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Provision |  | 5,104,171.56 |  |  | - |  |  | 1,640,760.00 |  |  | - |  |  | 5,104,171.56 |  |

**5. Other current assets**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Deductible VAT input |  | 145,313.30 |  |  | 2,588,253.33 |  |
|  | Prepaid corporate income tax |  | - |  |  | 160,650.58 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 145,313.30 |  |  | 2,748,903.91 |  |

**6. Fixed Assets**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2021-12-31 |  | Current year additions |  | Current year Disposal |  | Re-  classification |  | 2022-12-31 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost: |  |  |  |  |  |  |  |  |  |  |  |
|  | Plant and buildings |  | 40,738,334.44 |  | - |  | - |  | - |  | 40,738,334.44 |  |
|  | Machinery and equipment |  | 121,626,982.36 |  | 1,209,226.93 |  | 13,089,897.37 |  | 701,391.90 |  | 110,447,703.82 |  |
|  | Office and other equipment |  | 2,306,481.86 |  | 190,272.19 |  | 9,658.12 |  | - |  | 2,487,095.93 |  |
|  | Motor vehicles |  | 2,294,366.18 |  | - |  | 15,427.35 |  | - |  | 2,278,938.83 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 166,966,164.84 |  | 1,399,499.12 |  | 13,114,982.84 |  | 701,391.90 |  | 155,952,073.02 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accumulated Depreciation: | | |  |  |  |  |  |  |  |  |  |
|  | Plant and buildings |  | 35,308,301.51 |  | 501,230.88 |  | - |  | - |  | 35,809,532.39 |  |
|  | Machinery and equipment |  | 96,588,019.45 |  | 2,103,083.06 |  | 11,663,011.45 |  | 312,863.42 |  | 87,340,954.48 |  |
|  | Office and other equipment |  | 1,692,621.76 |  | 202,634.59 |  | 8,692.31 |  | - |  | 1,886,564.04 |  |
|  | Motor vehicles |  | 1,969,828.50 |  | 45,811.01 |  | 11,801.92 |  | - |  | 2,003,837.59 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 135,558,771.22 |  | 2,852,759.54 |  | 11,683,505.68 |  | 312,863.42 |  | 127,040,888.50 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net Book Value: |  |  |  |  |  |  |  |  |  |  |  |
|  | Plant and buildings |  | 5,430,032.93 |  | —— |  | —— |  | —— |  | 4,928,802.05 |  |
|  | Machinery and equipment |  | 25,038,962.91 |  | —— |  | —— |  | —— |  | 23,106,749.34 |  |
|  | Office and other equipment |  | 613,860.10 |  | —— |  | —— |  | —— |  | 600,531.89 |  |
|  | Motor vehicles |  | 324,537.68 |  | —— |  | —— |  | —— |  | 275,101.24 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 31,407,393.62 |  | —— |  | —— |  | —— |  | 28,911,184.52 |  |

In the current year, among the additions of Fixed Assets, the amount transferred from construction in progress is 1,338,611.53 .

As at 31 December 2022，the management was of the opinion that no impairment for fix assets was necessary.

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS (continued)**

**7. Intangible assets**

|  |  |  | 2021-12-31 |  | Current year additions |  | Current year disposal |  | 2022-12-31 |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Cost: |  |  |  |  |  |  |  |  |  |
|  | Land use right |  | 2,782,500.00 |  | - |  | - |  | 2,782,500.00 |  |
|  | Software |  | 231,929.31 |  | 22,924.53 |  | - |  | 254,853.84 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 3,014,429.31 |  | 22,924.53 |  | - |  | 3,037,353.84 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Accumulated Depreciation: | | |  |  |  |  |  |  |  |
|  | Land use right |  | 1,502,550.00 |  | 55,650.00 |  | - |  | 1,558,200.00 |  |
|  | Software |  | 224,772.27 |  | 13,854.40 |  | - |  | 238,626.67 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 1,727,322.27 |  | 69,504.40 |  | - |  | 1,796,826.67 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Net Book Value: |  |  |  |  |  |  |  |  |  |
|  | Land use right |  | 1,279,950.00 |  | —— |  | —— |  | 1,224,300.00 |  |
|  | Software |  | 7,157.04 |  | —— |  | —— |  | 16,227.17 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 1,287,107.04 |  | —— |  | —— |  | 1,240,527.17 |  |

**8. Long-term deferred expense**

|  |  |  | 2021-12-31 |  | Current year additions |  | Current year disposal |  | Re-  classification |  | 2022-12-31 |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Leasehold improvement |  | 2,358,687.37 |  | 68,772.70 |  | 301,825.00 |  | (388,528.48 | ) | 1,737,106.59 |  |
|  | Others |  | 298,676.14 |  | 141,194.69 |  | 98,713.77 |  | - |  | 341,157.06 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 2,657,363.51 |  | 209,967.39 |  | 400,538.77 |  | -388,528.48 |  | 2,078,263.65 |  |

The original amount of long-term deferred expense is RMB 5,764,932.41 yuan.

**9. Accounts payable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Due to related parties |  | 365,952.30 |  |  | 230,591.27 |  |
|  | Others |  | 40,586,791.72 |  |  | 55,082,165.56 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 40,952,744.02 |  |  | 55,312,756.83 |  |

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS (continued)**

**10. Taxes payable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Property tax |  | 113,968.59 |  |  | 113,968.59 |  |
|  | Individual income tax |  | 90,710.87 |  |  | 61,577.79 |  |
|  | Land use tax |  | 12,515.55 |  |  | 25,031.10 |  |
|  | Urban maintenance and  construction tax |  | - |  |  | 16,847.02 |  |
|  | Stamp Tax |  | 86.60 |  |  | - |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 217,281.61 |  |  | 217,424.50 |  |

**11. Surcharges payable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Education supplementary tax |  | - |  |  | 7,220.15 |  |
|  | Local education supplementary tax |  | - |  |  | 4,813.44 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | - |  |  | 12,033.59 |  |

**12. Paid-in capital**

Registered Capital

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 | | | |  |  | 2021-12-31 | | | |  |
|  |  |  | Amount (USD) |  |  | % |  |  | Amount (USD) |  |  | % |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | FITEXIN |  | 16,185,888.35 |  |  | 78.79 |  |  | 16,185,888.35 |  |  | 78.79 |  |
|  | Intissel China Limited |  | 4,357,186.09 |  |  | 21.21 |  |  | 4,357,186.09 |  |  | 21.21 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 20,543,074.44 |  |  | 100.00 |  |  | 20,543,074.44 |  |  | 100.00 |  |

Paid In Capital

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 | | | |  |  | 2021-12-31 | | | |  |
|  |  |  | Amount (RMB) |  |  | % |  |  | Amount (RMB) |  |  | % |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | FITEXIN |  | 128,458,251.86 |  |  | 78.79 |  |  | 128,458,251.86 |  |  | 78.79 |  |
|  | Intissel China Limited |  | 34,580,524.47 |  |  | 21.21 |  |  | 34,580,524.47 |  |  | 21.21 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 163,038,776.33 |  |  | 100.00 |  |  | 163,038,776.33 |  |  | 100.00 |  |

The above paid-in capital has been verified by Suzhou Hua De Rui CPA Firm and “Hua De Rui Yan Wai Zi(2012) No.042” capital verification report has been issued.

The original registered capital of the Company was USD 19,000,000.00. In 2017, according to the resolution, the shareholder of the Company has approved to merge Chargeurs GZ under common control by absorption. Chargeurs GZ was a wholly foreign-owned enterprise established in Guangzhou by Intissel China Limited, which was also ultimately controlled by Chargeurs Entoilage S.A.. After merger, the Company is the existing legal entity. FITEXIN and Intissel China Limited became the owners of the Company and the registered capital was increased to USD 20,543,074.44.

1. **DETAILED NOTES ON MAIN FINANCIAL STATEMENTS ITEMS (continued)**

**13. Capital Surplus**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Debt waived from related party |  | 6,962,230.00 |  |  | 6,962,230.00 |  |

**14. Surplus reserve**

|  |  |  | 2021-12-31 |  | Current year additions |  | Current year Disposal |  | 2022-12-31 |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Reserve Fund |  | 706,489.57 |  | - |  | - |  | 706,489.57 |  |

According to the provisions of Company Law and the articles of association, the Company appropriates reserve fund at 10% of the net profit. Where the accumulated amount of the reserve fund reaches 50% or more of the Company’s registered capital, additional appropriation is not needed.

**15. Retained earning**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | Retained earnings at the end of |  |  |  |  |  |  |
|  | prior year |  | (96,209,573.19 | ) |  | (94,139,266.97 | ) |
|  | Add：Net profit in current year |  | 3,915,969.61 |  |  | (2,070,306.22 | ) |
|  |  |  |  |  |  |  |  |
|  | Retained earnings at the end of the  year |  | (92,293,603.58 | ) |  | (96,209,573.19 | ) |

**16. Operating revenue and cost**

|  |  |  | **Operating revenue** | | |  | **Operating cost** | | |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  | FY 2021 |  | FY 2022 |  | FY 2021 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | Sale of goods |  | 197,613,554.53 |  | 174,176,982.67 |  | 169,489,766.39 |  | 148,087,879.31 |  |
|  | Service and  rental income |  | 1,372,540.21 |  | 1,531,369.11 |  | 1,127,870.45 |  | 1,312,435.22 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 198,986,094.74 |  | 175,708,351.78 |  | 170,617,636.84 |  | 149,400,314.53 |  |

**17. Finance costs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Interest expense |  | - |  |  | - |  |
|  | Less: Interest income |  | 478,924.90 |  |  | 320,083.20 |  |
|  | Exchange losses/ (gains) |  | (868,054.55 | ) |  | 227,039.99 |  |
|  | Others |  | 44,232.58 |  |  | 48,659.72 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | (1,302,746.87 | ) |  | (44,383.49 | ) |

1. **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

**1. Related party that controls the Company**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
|  | Name of the parent company |  | Place of  incorporation |  | Relationship with the Company |  | Percentage of equity held during the year |
|  |  |  |  |  |  |  |  |
|  | FITEXIN |  | France |  | Parent company |  | 78.79% |
|  | Chargeurs Entoilage S.A. |  | France |  | Ultimate holding company |  | - |

**2. Nature of related parties that have business transactions with the Company**

|  |  |  |
| --- | --- | --- |
|  | Name of related party | Relationship with the Company |
|  |  |  |
|  | Chargeurs Interlining HongKong Ltd | Controlled by same ultimate holding company |
|  | Chargeurs PCC Singapore Pte. Ltd. | Controlled by same ultimate holding company |
|  | Entretelas Americanas S.A. | Controlled by same ultimate holding company |
|  | CHARGEURS PCC KOREA LTD | Controlled by same ultimate holding company |
|  | CHARGEURS PCC Italy S.p.A. | Controlled by same ultimate holding company |
|  | Chargeurs PCC North America, Inc. | Controlled by same ultimate holding company |
|  | Lainiere de Picardie BC | Controlled by same ultimate holding company |
|  | Stroud Riley (Pty) Ltd | Controlled by same ultimate holding company |
|  | CHARGEURS ENTRETELAS IBERICA,  LDA | Controlled by same ultimate holding company |
|  | DHJ Interlining Shanghai Co., Ltd. | Controlled by same ultimate holding company |
|  | CHARGEURS ENTOILAGE TUNISIE | Controlled by same ultimate holding company |
|  | Chargeurs PCC Brasil Textil Ltda | Controlled by same ultimate holding company |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED | Controlled by same ultimate holding company |
|  | PCC Asia Limited | Controlled by same ultimate holding company |
|  | CHARGEURS PCC Italy S.p.A.，ITMS | Controlled by same ultimate holding company |
|  | LAINIERE DE PICARDIE PERONNE | Controlled by same ultimate holding company |
|  | FITEXIN SAS | Controlled by same ultimate holding company |

1. **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)**

**3. Related party transactions**

**(1). Pricing policies**

The Company’s pricing policies with related parties are based on commercial terms and conditions at market price.

**(2). Significant related party transactions**

**(a). Sales of goods**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |  |
|  |  |  |  |  |  |  |  |
|  | PCC Asia Limited |  | 48,666,996.12 |  |  | 41,212,915.28 |  |
|  | DHJ Interlining Shanghai Co., Ltd. |  | 28,289,107.49 |  |  | 23,690,457.51 |  |
|  | Chargeurs PCC Singapore Pte. Ltd. |  | 15,507,679.06 |  |  | 13,931,720.21 |  |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED |  | 13,461,938.54 |  |  | 6,125,421.65 |  |
|  | CHARGEURS PCC KOREA LTD |  | 8,507,907.81 |  |  | 8,487,103.11 |  |
|  | CHARGEURS ENTRETELAS  IBERICA, LDA |  | 4,402,291.93 |  |  | 10,158,486.04 |  |
|  | Chargeurs PCC North America, Inc |  | 3,817,314.27 |  |  | 2,549,517.73 |  |
|  | Lainiere de Picardie BC |  | 2,580,546.62 |  |  | 4,758,669.77 |  |
|  | CHARGEURS HEALTHCARE SOLUTIONS EMEA |  | 1,652,780.04 |  |  | - |  |
|  | Chargeurs PCC Brasil Textil Ltda |  | 1,173,915.03 |  |  | 449,211.63 |  |
|  | CHARGEURS PCC Italy S.p.A. |  | 901,864.06 |  |  | 932,806.39 |  |
|  | CHARGEURS ENTOILAGE TUNISIE |  | 432,027.76 |  |  | 530,395.15 |  |
|  | ENTRETELAS AMERICANAS SA |  | 121,408.90 |  |  | - |  |
|  | Chargeurs Interlining HongKong Ltd |  | - |  |  | 4,972,644.15 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 129,515,777.63 |  |  | 117,799,348.62 |  |

**(b). Service and rental income**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |
|  |  |  |  |  |  |  |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED |  | 1,172,985.21 |  |  | 1,338,683.86 |

**(c). Other incomes**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |
|  |  |  |  |  |  |  |
|  | CHARGEURS PCC KOREA LTD |  | - |  |  | 54,036.20 |

**(d). Purchase of goods**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |  |
|  |  |  |  |  |  |  |  |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED |  | 714,993.25 |  |  | 94,711.67 |  |
|  | Lainiere de Picardie BC |  | 99,880.60 |  |  | 64,750.22 |  |
|  | Chargeurs PCC North America, Inc. |  | - |  |  | 55,485.64 |  |
|  | PCC Asia Limited |  | - |  |  | 11,398.60 |  |
|  | Chargeurs Interlining Hong Kong Ltd |  | - |  |  | 3,150.00 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 814,873.85 |  |  | 229,496.13 |  |

1. **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)**

**3. Related party transactions (continued)**

**(2). Significant related party transactions (continued)**

**(e). Commission and other service expenditure**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | FY 2022 |  |  | FY 2021 |  |
|  |  |  |  |  |  |  |  |
|  | FITEXIN SAS |  | 3,973,255.30 |  |  | 3,272,941.91 |  |
|  | PCC Asia Limited |  | 1,532,450.50 |  |  | 1,898,779.30 |  |
|  | Lainiere de Picardie BC |  | 1,344,400.47 |  |  | 1,145,586.95 |  |
|  | DHJ Interlining Shanghai Co., Ltd. |  | 1,065,423.46 |  |  | 137,279.25 |  |
|  | Chargeurs PCC North America, Inc. |  | 527,699.06 |  |  | 475,693.75 |  |
|  | CHARGEURS PCC KOREA LTD |  | 62,097.83 |  |  | 109,315.91 |  |
|  | Chargeurs Interlining Hong Kong Ltd |  | - |  |  | 597,657.04 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 8,505,326.62 |  |  | 7,637,254.11 |  |

**(3). Significant related party balance**

**(a). Accounts receivable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | PCC Asia Limited |  | 7,862,280.21 |  |  | 9,627,165.76 |  |
|  | DHJ Interlining Shanghai Co., Ltd. |  | 5,892,219.26 |  |  | 7,109,139.82 |  |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED |  | 4,044,698.67 |  |  | 3,334,611.41 |  |
|  | Chargeurs PCC Singapore Pte. Ltd. |  | 1,673,780.85 |  |  | 3,281,144.03 |  |
|  | Chargeurs PCC North America, Inc. |  | 1,476,746.99 |  |  | 1,581,769.45 |  |
|  | CHARGEURS PCC KOREA LTD |  | 579,954.04 |  |  | 837,022.18 |  |
|  | Chargeurs PCC Brasil Textil Ltda |  | 541,909.62 |  |  | 282,236.94 |  |
|  | CHARGEURS PCC Italy S.p.A. |  | 331,572.00 |  |  | 203,313.42 |  |
|  | Lainiere de Picardie BC |  | 216,479.96 |  |  | 1,021,245.34 |  |
|  | Entretelas Americanas S.A |  | 119,446.09 |  |  | - |  |
|  | CHARGEURS ENTRETELAS IBERICA, LDA |  | - |  |  | 346,071.20 |  |
|  | CHARGEURS ENTOILAGE TUNISIE |  | - |  |  | 255,866.92 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 22,739,087.69 |  |  | 27,879,586.47 |  |

**(b). Other receivables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | PCC Asia Limited |  | 121,600.01 |  |  | 226,883.85 |  |
|  | Lainiere de Picardie BC |  | 27,311.89 |  |  | 9,295.01 |  |
|  | Chargeurs PCC Singapore Pte. Ltd. |  | 14,223.52 |  |  | 4,661.85 |  |
|  | Chargeurs PCC North America, Inc. |  | 11,495.21 |  |  | 15,939.25 |  |
|  | CHARGEURS PCC KOREA LTD |  | 4,933.24 |  |  | 14,179.11 |  |
|  | DHJ Interlining Shanghai Co., Ltd. |  | - |  |  | 1,510.00 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 179,563.87 |  |  | 272,469.07 |  |

1. **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)**

**3. Related party transactions (continued)**

**(3). Significant related party balance (continued)**

**(c). Accounts payable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | PCC (GUANGZHOU) TRADING  COMPANY LIMITED |  | 365,952.30 |  |  | 69,529.95 |  |
|  | Chargeurs PCC North America, Inc. |  | - |  |  | 110,219.34 |  |
|  | Lainiere de Picardie BC |  | - |  |  | 50,841.98 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 365,952.30 |  |  | 230,591.27 |  |

**(d). Other payables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2022-12-31 |  |  | 2021-12-31 |  |
|  |  |  |  |  |  |  |  |
|  | FITEXIN SAS |  | 1,359,934.74 |  |  | 407,414.89 |  |
|  | PCC Asia Limited |  | 727,717.25 |  |  | 516,176.69 |  |
|  | DHJ Interlining Shanghai Co., Ltd. |  | 619,765.78 |  |  | - |  |
|  | Lainiere de Picardie BC |  | 388,796.66 |  |  | 307,811.91 |  |
|  | Chargeurs PCC North America, Inc. |  | 306,734.91 |  |  | 99,465.89 |  |
|  | CHARGEURS PCC KOREA LTD |  | - |  |  | 27,180.76 |  |
|  |  |  |  |  |  |  |  |
|  |  |  | 3,402,949.34 |  |  | 1,358,050.14 |  |

1. **CONTINGENCIES**

As of 31 December 2022, there are no significant contingent events that will affect the reading and understanding of the financial statements.

1. **EVENTS OCCURRING AFTER BALANCE SHEET DATE**

There is no significant event occurring after balance sheet date that will affect the reading and understanding of the financial statement.

1. **Other significant events**

Operating lease commitments

As of 31 December, 2022, the future aggregate minimum lease payments due under these non-cancelable operating leases are as follows:

Remaining lease term Minimum lease payment

Within 1 year(including 1 years) 529,600.00

1 to 2 years (including 2 years) 84,000.00

Over 2 years 7,000.00

Total 620,600.00