

# FUXING CHINA GROUP LIMITED

(Incorporated in in Bermuda)  
(Company Registration No.:38973)

## DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the “**Board**”) of Fuxing China Group Limited (the “**Company**”) refers to the unaudited full year financial results announcements for the financial year ended 31 December 2016 (“**FY2016**”) released via the SGXNet on 23 February 2017 (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and Audited Financial Statements for FY2016. The material differences and the reasons for such material differences are set out in the explanatory notes below.

### 1(a) Statement of profit or loss and other comprehensive income

	For the financial year ended			Explanation Note	
	31/12/2016 RMB'000	31/12/2016 RMB'000	RMB'000 Difference		
	Unaudited	Audited			
<b>Revenue</b>	832,346	832,346	-	-	
Cost of sales	(783,531)	(783,531)	-	-	
<b>Gross profit</b>	48,815	48,815	-	-	
 <b>Other items of income</b>					
Other income	25,285	25,285	-	-	
Interest income	2,043	2,043	-	-	
 <b>Other items of expenses</b>					
Marketing and distribution expenses	(6,271)	(6,271)	-	-	
Administrative expenses	(94,215)	(94,215)	-	-	
Other expenses	(38,060)	(38,060)	-	-	
Financial costs	(14,176)	(14,176)	-	-	
<b>Loss before income tax</b>	(76,579)	(76,579)	-	-	
 Income tax credit/(expense)	(3,108)	6,142	9,250	A	
 <b>Loss for the year</b>	(79,687)	(70,437)	9,250		
 <b>Other comprehensive loss:</b>					
<i><u>Item that may be reclassified subsequently to profit or loss</u></i>					
Exchange differences on translating foreign operations	(7,127)	(7,127)	-	-	
<b>Total comprehensive loss for the year attributable to owners of the Company</b>	(86,814)	(77,564)	9,250		

**1(b) Statement of Financial Position as at 31 December 2016**

Explanation Note	Group			
	2016		2016 RMB'000 Audited	
	RMB'000 Unaudited	RMB'000 Audited		
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	241,313	241,313	-	
Investment property	476,100	476,100	-	
Land use rights	29,648	29,648	-	
Intangible assets	-	-	-	
Prepayments	429	429	-	
Investment in subsidiaries	-	-	-	
<b>Total non-current assets</b>	<b>747,490</b>	<b>747,490</b>	<b>-</b>	
<b>Current assets</b>				
Inventories	57,732	57,732	-	
Trade and other receivables	271,303	271,303	-	
Prepayments	73,737	73,737	-	
Cash and short-term deposits	288,698	288,698	-	
<b>Total current assets</b>	<b>691,470</b>	<b>691,470</b>	<b>-</b>	
<b>Total assets</b>	<b>1,438,960</b>	<b>1,438,960</b>	<b>-</b>	
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	255,662	255,662	-	
Other liabilities	158,024	158,024	-	
Loans and borrowings	360,849	360,849	-	
Income tax payable	4,057	4,057	-	
<b>Total current liabilities</b>	<b>778,592</b>	<b>778,592</b>	<b>-</b>	
<b>Non-current liability</b>				
Deferred tax liabilities	A 31,692	22,442	(9,250)	
<b>Total liabilities</b>	<b>810,284</b>	<b>801,034</b>	<b>(9,250)</b>	
<b>Equity attributable to owners of the Company</b>				
Share capital	772,574	772,574	-	
Treasury shares	(6,408)	(6,408)	-	
Reserve fund	64,857	64,857	-	
Capital reserve	39,573	39,573	-	
Restructuring reserve	(117,878)	(117,878)	-	
Foreign currency translation reserve	(11,205)	(11,205)	-	
Accumulated losses	A (112,837)	(103,587)	9,250	
<b>Total equity</b>	<b>628,676</b>	<b>637,926</b>	<b>9,250</b>	

**1(c) Consolidated Statement of Cash flows for the financial year ended 31 December 2016**

	2016 RMB'000 Unaudited	2016 RMB'000 Audited	RMB'000 Difference
<b>OPERATING ACTIVITIES</b>			
Loss before income tax	(76,579)	(76,579)	-
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	34,463	34,463	-
Amortisation of land use rights	937	937	-
Amortisation of intangible assets	5	5	-
Write off of property, plant and equipment	16,368	16,368	-
Gain on disposal of subsidiary	(12,788)	(12,788)	-
Loss from fair valuation on investment property	37,033	37,033	-
Write off of advances to suppliers	1,184	1,184	-
Net allowance for doubtful trade receivables	13,216	13,216	-
Net allowance for doubtful other receivables	15,989	15,989	-
Inventory written down	600	1,086	(486)*
Provision for social security contribution	(360)	(360)	-
Interest expense	14,177	14,176	-
Interest income	(2,043)	(2,043)	-
Foreign currency loss	1,963	1,961	2
Total adjustments	120,743	121,227	(484)
Operating cash flows before changes in working capital	44,164	44,648	(484)
<u>Changes in working capital:</u>			
Inventories	(6,309)	(6,795)	(486)*
Trade and other receivables	(23,995)	(23,995)	-
Prepayments	(10,518)	(10,518)	-
Trade and other payables	43,847	43,847	-
Other liabilities	11,637	11,637	-
Total changes in working capital	14,662	14,176	486
Cash flows generated from operations	58,826	58,824	2
Interest paid	(14,177)	(14,176)	-
Interest received	2,043	2,043	-
Income taxes paid	(31,507)	(31,507)	-
<b>Net cash flows generated from operating activities</b>	<b>15,185</b>	<b>15,184</b>	<b>1</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(18,052)	(18,051)	(1)
Construction of investment property	(136,513)	(136,513)	-
Disposal of subsidiary, net of cash disposed	18,685	18,685	-
<b>Net cash flows used in investing activities</b>	<b>(135,880)</b>	<b>(135,879)</b>	<b>(1)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	178,000	178,000	-
Repayments of loans and borrowings	(139,000)	(139,000)	-
Decrease in fixed deposits pledged to banks	850	850	-
<b>Net cash generated from financing activities</b>	<b>39,850</b>	<b>39,850</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(80,845)</b>	<b>(80,845)</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>310,072</b>	<b>310,072</b>	<b>-</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>229,227</b>	<b>229,227</b>	<b>-</b>

*Note:\** The differences did not have material impact on the net cash flows generated from operating activities.

**Explanation for the material variances for Note A**

(A) The decrease of RMB9.2 million in the income tax expense from a tax charge of RMB3.1 million in FY2016 per the Unaudited Financial Statements to an income tax credit of RMB6.1 million per the Audited Financial Statements was due to the reversal of deferred tax liabilities as a result of the fair value loss arising from the revaluation of the investment property in Xiamen, China as at 31 December 2016.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**

Executive Chairman and Chief Executive Officer  
4 April 2017