

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, 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 third quarter and nine months ended 30 September 2017. These figures have not been audited.

	Group			Group		
	3 months Ended 30/9/2017 Unaudited	3 months Ended 30/9/2016 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2017 Unaudited	9 months Ended 30/9/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue						
Cost of sales	216,696	220,956	(2)	666,616	597,725	12
	(202,864)	(207,380)	(2)	(626,311)	(561,120)	12
Gross profit	13,832	13,576	2	40,305	36,605	10
Other income and expenses	(3,063)	14,608	(121)	9,674	17,693	(45)
Selling and distribution expenses	(1,344)	(1,675)	(20)	(4,642)	(5,097)	(9)
General and administrative expenses	(3,432)	(13,798)	(75)	(22,628)	(41,581)	(46)
Profit from operating activities	5,993	12,711	(53)	22,709	7,620	198
Finance income	241	371	(35)	842	1,795	(53)
Finance expense	(3,226)	(3,608)	(11)	(10,132)	(10,521)	(4)
Profit/(Loss) before taxation	3,008	9,474	(68)	13,419	(1,106)	NM
Income tax expense	(1,589)	(862)	84	(3,430)	(2,409)	42
Profit/(Loss) for the period attributable to shareholders	1,419	8,612	(84)	9,989	(3,515)	NM

Statement of Comprehensive Income

Profit/(Loss) attributable to shareholders
Other comprehensive income/(loss) for the period

Item that may be reclassified subsequently to profit or loss

Exchange differences on translating foreign operations

Total comprehensive income/ (loss)for the period attributable to shareholders

1,419	8,612	(84)	9,989	(3,515)	NM
2,185	(792)	NM	5,423	(2,949)	NM
3,604	7,820	(54)	15,412	(6,464)	NM

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

Allowance for doubtful trade receivables
Allowance for doubtful prepayment
Amortisation of land use rights
Amortisation of intangible assets
Provision for social contribution
Depreciation of property, plant and equipment
Gain on disposal of subsidiary
Foreign exchange loss/(gain), net
Salaries and bonuses

(676)	3,716	NM	1,546	13,754	(89)
(3,247)	1,040	NM	(3,989)	1,091	NM
226	227	(1)	679	711	(5)
-	-	-	-	5	NM
121	(123)	NM	363	(368)	NM
6,737	7,963	(15)	21,778	25,500	(15)
-	(12,788)	(100)	-	(12,788)	(100)
3,064	(1,382)	NM	6,552	(4,396)	NM
15,768	15,500	2	46,450	46,390	-

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	
	30/9/2017 Unaudited	31/12/2016 Audited	30/9/2017 Unaudited	31/12/2016 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	230,180	241,313	-	-
Investment properties	476,162	476,100	-	-
Land use rights	28,969	29,648	-	-
Prepayment for machinery purchase	1,218	429	-	-
Investment in subsidiaries	-	-	344,853	344,853
	736,529	747,490	344,853	344,853
Current assets				
Inventories	86,487	57,732	-	-
Trade and other receivables	261,745	271,303	2	2
Prepayments	85,049	73,737	-	-
Amount due from subsidiaries (non-trade)	-	-	388,111	399,869
Fixed deposits	33,000	39,900	-	-
Cash and bank balances	214,431	248,798	209	266
	680,712	691,470	388,322	400,137
Total assets	1,417,241	1,438,960	733,175	744,990
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	13,052	8,640	-	-
Bills payable to banks	118,817	144,478	-	-
Other payables & accruals	250,707	253,024	1,606	2,291
Amount due to a Director (non-trade)	26,417	7,544	8,935	7,980
Short-term bank loans	309,120	341,278	-	-
Bank overdrafts	18,350	19,571	-	-
Income tax payable	4,422	4,057	-	-
Total current liabilities	740,885	778,592	10,541	10,271
Non-current liabilities				
Deferred tax liabilities	23,018	22,442	-	-
	23,018	22,442	-	-
Total liabilities	763,903	801,034	10,541	10,271
Equity attributable to equity holders of the Company				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	64,857	64,857	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(5,782)	(11,205)	-	-
Accumulated losses	(93,598)	(103,587)	(83,105)	(71,020)
Total equity	653,338	637,926	722,634	734,719
Total equity and liabilities	1,417,241	1,438,960	733,175	744,990

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

Amount repayable in one year or less, or on demand

	As at 30 September 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks				
- China CITIC Bank ¹	50,000	-	54,000	-
- China Construction Bank ²	20,000	-	30,000	-
- Hang Seng Bank ⁴	48,817	-	60,478	-
Short-term bank loans				
- China CITIC Bank ¹	129,060	-	159,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	9,000	-	9,000	-
- Hang Seng Bank ⁴	42,060	-	44,278	-
- China Construction Bank Dongqu Branch ⁵	110,000	-	110,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch ⁶	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank ⁴	18,350	-	19,571	-

Notes:

- ¹ The bills payable of RMB 50.0 million and short-term bank loan of RMB129.1 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, Shenuh 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 guarantees from a subsidiary, Jinjiang Fuxing Dress Co. Ltd. and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.
- ² RMB 20 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, Shenuh Town, Jinjiang City, Fujian Province, 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 RMB 9.0 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 RMB 48.8 million, the short-term loan of RMB 42.1 million and the bank overdraft of RMB 18.3 million were secured by a charge over investment property (13th floor which is the top floor) owned by Pretty Limited and part of the 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, 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).
Pretty Limited and Goldplan Corporation Limited are 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, PRC.
- ⁶ This loan was guaranteed by personal guarantees 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.

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

	3 months Ended 30/9/2017 Unaudited RMB'000	3 months Ended 30/9/2016 Unaudited RMB'000	9 months Ended 30/9/2017 Unaudited RMB'000	9 months Ended 30/9/2016 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit/ (Loss) before taxation	3,007	9,474	13,419	(1,106)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	6,737	7,963	21,778	25,500
Amortisation of land use rights	226	226	679	711
Amortisation of intangible assets	-	-	-	5
Allowance for doubtful trade receivables	(676)	3,716	1,546	13,754
Allowance for doubtful prepayment	(3,247)	1,037	(3,989)	1,091
Gain on disposal of subsidiary	-	(12,788)	-	(12,788)
Written off of property, plant and equipment	-	1	-	1
Provision for social contribution	121	(123)	363	(368)
Interest expense	3,226	3,608	10,132	10,521
Interest income	(241)	(370)	(842)	(1,795)
Foreign currency difference	1,286	(528)	3,205	(1,976)
Total adjustments	7,432	2,742	32,872	34,656
Operating cash flows before changes in working capital	10,439	12,216	46,291	33,550
(Increase)/ Decrease in:				
Inventories	2,936	(10,255)	(28,754)	(20,401)
Trade and other receivables	9,242	(9,634)	8,670	7,107
Prepayments	(22,696)	1,755	(7,323)	5,078
<u>Increase/ (Decrease) in:</u>				
Trade payables	(4,503)	14,221	4,411	12,124
Other payables & accruals	21,855	2,735	(28,341)	(9,679)
Due to directors	(6,903)	(1,926)	18,872	1,510
Total changes in working capital	(69)	(3,104)	(32,465)	(4,261)
Cash flows generated from operations	10,370	9,112	13,826	29,289
Interest expense paid	(3,226)	(3,608)	(10,132)	(10,521)
Interest income received	241	370	842	1,795
Income tax paid	(1,331)	(1,424)	(3,147)	(31,699)
Net cash generated from / (used in) operating activities	6,054	4,450	1,389	(11,136)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(8,323)	(16,039)	(11,433)	(16,783)
Purchase of investment properties	-	(86,047)	(62)	(116,266)
Disposal of subsidiary, net of cash disposed (Note B)	-	18,685	-	18,685
Net cash used in investing activities	(8,323)	(83,401)	(11,495)	(114,364)
FINANCING ACTIVITIES				
Proceeds from short-term borrowings	128,000	100,000	157,060	169,000
Repayments for short-term borrowings	(128,000)	(100,000)	(187,000)	(130,000)
(Increase) / Decrease in fixed deposits pledged to banks	(5,500)	2,450	6,900	14,200
Net cash generated from / (used in) financing activities	(5,500)	2,450	(23,040)	53,200
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS				
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	(7,769)	(76,501)	(33,146)	(72,300)
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	203,850	314,273	229,227	310,072
	196,081	237,772	196,081	237,772

Notes:

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

	9 months Ended 30/9/2017 Unaudited RMB'000	9 months Ended 30/9/2016 Unaudited RMB'000
Fixed deposits	33,000	26,550
Cash and bank balances	<u>214,431</u>	<u>256,860</u>
	247,431	283,410
Less: Bank overdraft	(18,350)	(19,088)
Fixed deposits (pledged)	<u>(33,000)</u>	<u>(26,550)</u>
Cash and cash equivalents	<u>196,081</u>	<u>237,772</u>

Fixed deposits amounting to RMB 33,000,000 (2016: RMB 26,550,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts respectively.

(B) Gain on disposal of subsidiary

	3 months Ended 30/9/2017 Unaudited RMB'000	3 months Ended 30/9/2016 Unaudited RMB'000	9 months Ended 30/9/2017 Unaudited RMB'000	9 months Ended 30/9/2016 Unaudited RMB'000
Consideration received	-	21,000	-	21,000
Non-current assets	-	13,416	-	13,416
Current assets	-	14,733	-	14,733
Non-current liabilities	-	(530)	-	(530)
Current liabilities	-	(19,406)	-	(19,406)
Net liabilities disposed off	-	<u>8,212</u>	-	<u>8,212</u>
Gain on disposal of subsidiary	-	<u>12,788</u>	-	<u>12,788</u>

Net cash inflow arising on disposal

	3 months Ended 30/9/2017 Unaudited RMB'000	3 months Ended 30/9/2016 Unaudited RMB'000	9 months Ended 30/9/2017 Unaudited RMB'000	9 months Ended 30/9/2016 Unaudited RMB'000
Cash consideration received	-	21,000	-	21,000
Cash and cash equivalents disposed off	-	(2,315)	-	(2,315)
Disposal of subsidiary, net of cash disposed	-	<u>18,685</u>	-	<u>18,685</u>

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.

Group	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve¹	Translation reserve	Accumulated profits / (losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	772,574	(6,408)	64,590	39,573	(117,878)	(4,078)	(32,883)	715,490
Total comprehensive loss for the period	-	-	-	-	-	(2,949)	(3,515)	(6,464)
At 30 September 2016	772,574	(6,408)	64,590	39,573	(117,878)	(7,027)	(36,398)	709,026
At 1 January 2017	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	637,926
Total comprehensive income for the period	-	-	-	-	-	5,423	9,989	15,412
At 30 September 2017	772,574	(6,408)	64,857	39,573	(117,878)	(5,782)	(93,598)	653,338
Company								
At 1 January 2016	772,574	(6,408)	-	39,573	-	-	19,994	825,733
Total comprehensive income for the period	-	-	-	-	-	-	492	492
At 30 September 2016	772,574	(6,408)	-	39,573	-	-	20,486	826,225
At 1 January 2017	772,574	(6,408)	-	39,573	-	-	(71,021)	734,718
Total comprehensive loss for the period	-	-	-	-	-	-	(12,084)	(12,084)
At 30 September 2017	772,574	(6,408)	-	39,573	-	-	(83,105)	722,634

	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Contributed surplus RMB'000	Restructuring reserve ¹ RMB'000	Translation reserve RMB'000	Accumulated profits / (losses) RMB'000	Total equity RMB'000
Group								
At 1 July 2016	772,574	(6,408)	64,590	39,573	(117,878)	(6,235)	(45,010)	701,206
Total comprehensive income for the period	-	-	-	-	-	(792)	8,612	7,820
At 30 September 2016	772,574	(6,408)	64,590	39,573	(117,878)	(7,027)	(36,398)	709,026
At 1 July 2017	772,574	(6,408)	64,857	39,573	(117,878)	(7,967)	(95,017)	649,734
Total comprehensive income for the period	-	-	-	-	-	2,185	1,419	3,604
At 30 September 2017	772,574	(6,408)	64,857	39,573	(117,878)	(5,782)	(93,598)	653,338
Company								
At 1 July 2016	772,574	(6,408)	-	39,573	-	-	20,875	826,614
Total comprehensive loss for the period	-	-	-	-	-	-	(389)	(389)
At 30 September 2016	772,574	(6,408)	-	39,573	-	-	20,486	826,225
At 1 July 2017	772,574	(6,408)	-	39,573	-	-	(78,559)	727,180
Total comprehensive loss for the period	-	-	-	-	-	-	(4,546)	(4,546)
At 30 September 2017	772,574	(6,408)	-	39,573	-	-	(83,105)	722,634

Note:

¹ **Restructuring reserve:**

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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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.

Share Buy-back

During the nine months ended 30 September 2017, there were no shares acquired.

Convertibles

For the nine months ended 30 September 2017, there were no outstanding convertibles.

Subsidiary Holdings

For the nine months ended 30 September 2017, there were no subsidiary holdings.

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 immediate preceding year.

	As at 30 September 2017	As at 31 December 2016
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 30 September 2017 and 31 December 2016.

Percentage of treasury shares held against total number of issued shares (excluding treasury shares): 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 2017	277,720
Purchases of shares during the period	-
Total number of shares as at 30 September 2017	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 September 2017.

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 qualifications or emphasis of a matter).

Not applicable.

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 2016 have been applied in the preparation for the financial statements for the nine months ended 30 September 2017.

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.

Profit/(Loss) per ordinary share of the group, after deducting any provision for preference dividends (in cents):	Group		Group	
	3 months ended 30/9/2017	3 months ended 30/9/2016	9 months ended 30/9/2017	9 months ended 30/9/2016
(a) Basic and	8.3	50.6	58.1	(20.4)
(b) On a fully diluted basis	8.3	50.6	58.1	(20.4)

Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 30 September 2017: 17,205,438 ordinary shares (2016: 17,205,438).

For the nine months ended 30 September 2017 and 2016, the basic and diluted earnings per share of the Group are the same as there were no potential diluting ordinary shares outstanding as at 30 September 2017 and 2016.

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	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB):	38.0	37.1	42.0	42.7
(Number of ordinary shares in issue as at 30/9/2017: 17,205,438 shares (as at 31/12/2016: 17,205,438 shares)				

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			Group		
	3 months Ended 30/9/2017 Unaudited	3 months Ended 30/9/2016 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2017 Unaudited	9 months Ended 30/9/2016 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper	97,897	87,479	11	285,609	257,015	11
Trading	106,010	123,527	(14)	346,724	311,649	11
Processing	17,405	15,721	11	48,153	42,606	13
Inter-segment sales	(4,616)	(5,771)	(20)	(13,870)	(13,545)	2
Total Group Revenue	216,696	220,956	(2)	666,616	597,725	12

COST OF SALES

Zipper	87,133	77,714	12	253,276	228,998	11
Trading	103,339	120,941	(15)	339,094	304,648	11
Processing	17,008	14,496	17	47,811	41,019	17
Inter-segment sales	(4,616)	(5,771)	(20)	(13,870)	(13,545)	2
Total Group Cost of Sales	202,864	207,380	(2)	626,311	561,120	12

GROSS PROFIT

Zipper	10,764	9,765	10	32,333	28,017	15
Trading	2,671	2,586	3	7,630	7,001	9
Processing	397	1,225	(68)	342	1,587	(78)
Total Gross Profit	13,832	13,576	2	40,305	36,605	10

GROSS PROFIT MARGIN

	%	%	% pts	%	%	% pts
Zipper	11.0	11.2	(0.2)	11.3	10.9	0.4
Trading	2.5	2.1	0.4	2.2	2.2	-
Processing	2.3	7.8	(5.5)	0.7	3.7	(3.0)
Average Gross Profit Margin	6.4	6.1	0.3	6.0	6.1	(0.1)

Note:

(1) Both the Zipper Chain and Zipper Slider segments are sub-segments of the Zipper segment. Both are considered as one segment under Zipper. Hence, the amount in the table is net of inter-sub-segment sales.

9M2017 vs. 9M2016

Revenue

The Group's revenue increased by RMB 68.9 million (or 12%) to RMB 666.6 million. The increase was due mainly to the increase in revenue of the Zipper segment (RMB 28.6 million), the Trading segment (RMB 35.1 million) and the Processing segment (RMB 5.5 million).

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

The increase in revenue from the Zipper segment and the Processing segment in 9M2017 was mainly due to the increase in sales volume as a result of better quality achieved following the partial automation of the Group's plant and machinery in the production processes.

The Group's Trading segment relates to the sourcing and buying of certain raw materials in accordance to customers' requirements. The profit margin and all purchases are based on confirmed sales, i.e. the Group does not hold any inventories. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demands for raw materials. The increase in revenue from the Trading segment was due to an increase in the sales orders from customers during 9M2017 as a result of effective pricing strategy.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 3.7 million (or 10%) to RMB 40.3 million. The increase in gross profit was due mainly to the increase in revenue from both the Zipper segment and the Trading segment.

Average gross profit margin decreased slightly by 0.1 percentage point to 6.0% due to the decrease in gross profit margin from the Processing segment in 9M2017 arising from the higher production costs, e.g., factory overheads.

Other income and other expenses

Other income comprises gain on government subsidies, written back of other receivables while other expenses represented foreign exchange loss. The net income decrease was due mainly to the gain (RMB 12.8 million) on disposal of the Group's subsidiary – Qingdao Hong Shi High Technology Co. Ltd in 9M2016.

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 decreased by RMB 0.5 million (or 9%) to RMB 4.6 million as a result of decrease in staff costs due to a leaner sales force.

General and administrative expenses

General and administrative expenses decreased by RMB 19.0 million (or 46%) to RMB 22.6 million. This was mainly due to the decrease in allowance for doubtful debts of RMB 12.2 million as a result of settlement of outstanding balance by customers. The written back of prepayments (RMB 4.0 million) following receipt of raw materials orders also reduced the general and administrative expenses.

Finance income and expenses

Finance expenses decreased by RMB 0.4 million (or 4%) to RMB 10.1 million. This was attributable to the decrease in short-term bank loans. Finance income decreased by RMB 1.0 million (or 53%) to RMB 0.8 million was due mainly to the decrease in cash and bank balance.

Tax expense

	Group		
	9 months Ended 30/9/2017 Unaudited	9months Ended 30/9/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	2,854	2,184	31
Deferred tax ²	576	225	156
Tax expense	3,430	2,409	42

Notes :

¹ Current tax increased by RMB 0.7 million or 31% was in line with the increase in taxable profit in 9M2017.

² On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which stated that distribution of dividends from profits accumulated from 1 January 2008, shall be subject to a withholding tax on distribution to foreign investors. Accordingly, the Group had provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding company) is incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

3Q2017 vs. 3Q2016 (3 months)

Revenue

The Group's revenue decreased by RMB 4.3 million (or 2%) to RMB 216.7 million. The decrease was due mainly to the decrease in revenue of the Trading segment (RMB 17.5 million). This was partially offset by the increase in revenue contributions from and the Zipper segment (RMB 10.4 million) and the Processing segment (RMB 1.7 million).

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

The increase in revenue in both the Zipper and Processing segments was mainly due to the increase in sales volume as a result of better quality achieved following the partial automation of the Group's plant and machinery in the production processes.

The decrease in revenue from the Trading segment was due to a decrease in the sales orders from customers during 3Q2017 after tweaking in prices for higher gross profit margin.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB0.2 million (or 2%) to RMB 13.8 million. The increase in gross profit was due mainly to the increase in revenue from the Zipper segment.

Average gross profit margin increased slightly by 0.3 percentage point to 6.4% due to the increase in gross profit margin from the Trading segment in 3Q2017.

Other income and other expenses

Other income comprises government subsidies while other expenses represented foreign exchange loss.

The net income decrease was due mainly to the increase in foreign exchange loss arising 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 decreased by RMB 0.3 million (or 20%) to RMB 1.3 million as a result of decrease in staff costs due to a leaner sales force.

General and administrative expenses

General and administrative expenses decreased by RMB 10.4 million (or 75%) to RMB 3.4 million. This was mainly due to the decrease in allowance for doubtful debts of RMB 4.4 million as a result of settlement of outstanding balance by customers. In addition, the written back of prepayments (RMB 3.2 million) following receipt of raw materials orders also reduced the general and administrative expenses.

Finance income and expenses

Finance expenses decreased by RMB 0.3 million (or 11%) to RMB 3.2 million. This was attributable to the decrease in short-term bank loans. Finance income decreased by RMB 0.1 million (or 35%) to RMB 0.2 million was due mainly to the decrease in cash and bank balances.

Tax expense

	Group		
	3 months Ended 30/9/2017 Unaudited	3 months Ended 30/9/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	1,438	800	80
Deferred tax ²	151	62	144
Tax expense	1,589	862	84

Notes:

¹ Current tax increased by RMB 0.6 million or 80% was in line with the increase in profit before taxation in 3Q2017.

² On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which stated that distribution of dividends from profits accumulated from 1 January 2008, shall be subject to a withholding tax on distribution to foreign investors. Accordingly, the Group had provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding company) is incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

FINANCIAL POSITION

Non-current assets

As at 30 September 2017, non-current assets amounted to RMB 736.5 million comprising property, plant and equipment, investment property, land use rights, and prepayments.

The Group's property, plant and equipment amounted to RMB 230.2 million, a decrease of 5% (or RMB 11.1 million) compared to RMB 241.3 million as at 31 December 2016. The decrease was due mainly to depreciation expenses.

The increase in investment property was due to the recognition of the construction cost of the Group's Xiamen Headquarters project ("HQ Project") during 9M2017.

The prepayment balance as at 30 September 2017 represented the deposit for machinery purchase.

Current assets

As at 30 September 2017, current assets amounted to RMB 680.7 million, a decrease of 2% (or RMB 10.8 million) compared to RMB 691.5 million as at 31 December 2016. This was due largely to a decrease in trade and other receivables, cash and bank balances, which were partially offset by the increase in inventories and prepayments to suppliers.

Inventories increased by RMB 28.8 million (or 50%) to RMB 86.5 million due to a build-up of inventory as the Group held a 3-months raw materials requirement for the purpose of production efficiency compared to a 2-month raw materials requirement as at 31 December 2016.

A 2-months raw materials requirement for production was maintained during the 4th quarter 2016 in view of the lunar New Year holidays in the 1st quarter of 2017. As the Group normally grants its workers up to 1 month holidays during lunar New Year, raw materials inventories are maintained for a 2-months production requirement.

As at 30 September 2017, a 3-months raw materials requirement was maintained in order to satisfy the production requirement in 4Q2017. The Group forecasts its production requirements every 3 months to meet the sales orders. It is the Group's practice to maintain a 3-months raw materials holding period after taking into consideration of the 3-month delivery lead time from its suppliers. For production efficiency purpose, a sufficient inventory level must be maintained for production.

Trade and other receivables decreased by RMB 9.6 million (or 3.5%) to RMB 261.7 million which was in line with the decrease in revenue from the Trading segment.

The increase in prepayments to suppliers was due mainly to the increase in advances made to certain suppliers. For advances to suppliers, the Group will secure signed supply agreements with its various suppliers. The advance payments in the supply agreements are calculated based on a certain percentage of the total contract price. The prepayments can be refunded (without interest) in the event of no delivery of goods by the agreed date. For smaller scale suppliers, the Group will normally make prepayments of about 30% of the contract value and the Group has 30 days credit period to settle the remaining 70% of the contract value.

Cash and bank balances decreased by RMB 34.4 million (or 14%) to RMB 214.4 million due mainly to the repayment of short-term bank loans.

Current liabilities

As at 30 September 2017, total current liabilities were RMB 740.9 million, a decrease of 5% (or RMB 37.7 million) compared to RMB 778.6 million as at 31 December 2016. This was mainly attributable to the decrease in bills payable to banks, short-term bank loans, bank overdrafts, other payables and accruals. The increase was partially offset by the increase in trade payables, and amount due to a

Director.

The decrease in bills payable to banks was due mainly to expiry of bills during 3Q2017.

The increase in trade payables was due mainly to settlement of payments to creditors at the end of the credit period.

The decrease in short-term bank loans was due mainly to repayment of bank loans in 3Q2017. Please refer to page 4, note 1 for further information.

Bank overdrafts represented the drawdown of the banking facilities from Hang Seng Bank.

The increase of amount due to a Director was due to funds remitted from Mr Hong Qing Liang for settlement of the Group's Xiamen headquarters construction project ("HQ Project"). The construction costs were paid by Mr Hong from his personal bank account in Hong Kong first and reimbursed by the Company. This arrangement was undertaken as the local government of Xiamen Island will impose an interest tax on all monies transferred from other locations within the PRC. Remittances from Hong Kong and foreign countries are exempted from such tax.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The increase in deferred tax liabilities was due to the RMB 0.6 million deferred tax expense provided for 9M2017.

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 9M2017 amounted to RMB 1.3 million while net cash flows used in operating activities in 9M 2016 amounted to RMB 11.1 million, this was due mainly to the settlement of deferred tax liabilities in 3Q2016. Net cash flows generated from operating activities in 3Q2017 amounted to RMB 6.1 million compared to RMB 4.5 million in 3Q2016, this was due mainly to the increase in other payables.

Investing activities

Net cash flows used in investing activities in 9M2017 amounted to RMB 11.5 million compared to RMB 114.4 million in 9M2016, and in 3Q2017 amounted to RMB 8.3 million compared to RMB 83.4 million in 3Q2016, due mainly to the purchase of property, plant and equipment and construction of the HQ Project in 3Q2016 and 9M2016.

Financing activities

Net cash flows used in financing activities in 9M2017 amounted to RMB 23.0 million and in 3Q2017 amounted to RMB 5.5 million while net cash flows generated from financing activities in 9M2016 amounted RMB 53.2 million and in 3Q2016 amounted to RMB 2.5 million, due mainly to the repayment of short-term bank loans in 9M2017 and 3Q2017.

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 3Q2017 and 9M2017 is in line with the commentary made in item 10 of the Company's results announcement dated 10 August 2017.

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 competitive environment as the zipper industry in the PRC faces intense competition with razor thin profit margins.

In addition, the slowing down of economic growth in the PRC, uncertainties for export sales, cost pressures arising from rising production and labour costs will affect the Group's operating outlook for the next twelve months.

To mitigate some of the rising cost pressures, the Group expects its partial automation of its plant and machineries to result in some cost savings. The Group will also step up its promotional activities to increase its sales orders and continue to exercise tight control on the administrative expenses.

Update on the Xiamen Headquarters ("HQ Project")

As last reported, the construction of the HQ project had been completed. The Group has recently obtained all the licenses and legal completion for its building in 3Q2017. To comply with the local government's regulatory requirements, rectification costs are expected to be incurred on the additions and alteration works to the building in the next few months. In order to rent out the excess space required in the building, the Group will do some furnishings and renovations to the building offices to attract tenants.

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) Books closure date

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect.

Not Applicable.

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.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

14 November 2017

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Directors Pursuant to Rule 705(5) of the Listing Manual of SGX-ST.

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Fuxing China Group Limited which may render these interim financial statements for the third quarter and nine months ended 30 September 2017 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
Fuxing China Group Limited

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 14 November 2017