

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 2018.

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 2018. These figures have not been audited.

	Group			Group		
	3 months Ended 30/9/2018 Unaudited	3 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2018 Unaudited	9 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue						
Cost of sales	246,804 (227,172)	216,696 (202,864)	14 12	681,720 (635,619)	666,616 (626,311)	2 1
Gross profit	19,632	13,832	42	46,101	40,305	14
Other income and expenses	5,311 (2,059)	(3,063) (1,344)	NM 53	6,171 (5,445)	9,674 (4,642)	(36) 17
Selling and distribution expenses	(1,143)	(3,432)	(67)	(34,719)	(22,628)	53
General and administrative expenses						
(Loss)/Profit from operating activities	21,741	5,993	263	12,108	22,709	(47)
Finance income	297	241	23	634	842	(25)
Finance expense	(4,477)	(3,226)	39	(13,265)	(10,132)	31
(Loss)/Profit before taxation	17,561	3,008	484	(523)	13,419	NM
Income tax expense	(779)	(1,589)	(51)	(2,020)	(3,430)	(41)
(Loss)/Profit for the period attributable to shareholders	16,782	1,419	1,083	(2,543)	9,989	NM

Statement of Comprehensive Income

Net (loss)/profit for the period

Other comprehensive (loss)/ income for the period

Exchange differences on translating foreign operations

Total comprehensive (loss)/income for the period

16,782	1,419	1,083	(2,543)	9,989	NM
(4,161)	2,185	NM	(4,909)	5,423	NM
12,621	3,604	250	(7,452)	15,412	NM

Net (loss)/profit attributable to:

Equity holders of the Company

Non-controlling interests

16,765 17	1,419 -	1,081 NM	(2,519) (24)	9,989 -	NM NM
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Total comprehensive (loss)/income attributable to:

Equity holders of the Company

Non-controlling interests

12,604 17	3,604 -	250 NM	(7,428) (24)	15,412 -	NM NM
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Note: The Group's (loss)/profit before taxation is determined after charging / (crediting) the following items:

(Written back)/Allowance for doubtful trade receivables
(Written back)/Allowance for doubtful prepayment
Amortisation of land use rights
Provision for social contribution
Depreciation of property, plant and equipment
Foreign exchange loss/(gain), net
Salaries and bonuses

(5,653)	(676)	736	1,399	1,546	(10)
(507)	(3,247)	(84)	3,471	(3,989)	NM
226	226	-	679	679	-
355	121	193	1,065	363	193
7,324	6,737	9	22,844	21,778	5
(5,100)	3,064	NM	(5,730)	6,552	NM
18,044	15,768	14	52,086	46,450	12

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	
	30/9/2018 Unaudited	31/12/2017 Audited	30/9/2018 Unaudited	31/12/2017 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	276,950	262,571	-	-
Investment properties	498,470	498,470	-	-
Land use rights	28,064	28,743	-	-
Prepayment for machinery purchase	650	1,144	-	-
Investment in subsidiaries	-	-	344,853	344,853
Total non-current assets	804,134	790,928	344,853	344,853
Current assets				
Inventories	109,359	56,495	-	-
Trade and other receivables	275,761	284,101	2	2
Prepayments	60,279	92,623	-	-
Amount due from subsidiaries (non-trade)	-	-	386,936	390,700
Fixed deposits	47,500	31,500	-	-
Cash and bank balances	39,388	166,551	268	359
Total current assets	532,287	631,270	387,206	391,059
Total assets	1,336,421	1,422,198	732,059	735,912
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	9,015	7,482	-	-
Bills payable to banks	89,000	113,793	-	-
Other payables & accruals	234,156	268,706	1,777	1,725
Amount due to a director (non-trade)	95,986	10,891	365	9,250
Short-term bank loans	221,400	308,437	-	-
Bank overdrafts	-	18,236	-	-
Income tax payable	4,609	5,076	-	-
Total current liabilities	654,166	732,621	2,142	10,975
Non-current liabilities				
Deferred tax liabilities	28,490	28,400	-	-
Total non-current liability	28,490	28,400	-	-
Total liabilities	682,656	761,021	2,142	10,975
Equity				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	65,870	65,870	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(9,077)	(4,168)	-	-
Accumulated losses	(90,905)	(88,386)	(75,822)	(80,802)
Attributable to equity holders of the Company	653,749	661,177	729,917	724,937
Non-controlling interests	16	-	-	-
Total equity	653,765	661,177	729,917	724,937
Total equity and liabilities	1,336,421	1,422,198	732,059	735,912

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 2018		As at 31 December 2017	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks				
- China CITIC Bank ¹	59,000	-	51,000	-
- China Construction Bank ²	30,000	-	15,000	-
- Hang Seng Bank ⁴	-	-	47,793	-
Short-term bank loans				
- China CITIC Bank ¹	112,000	-	129,060	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	7,900	-	9,000	-
- Hang Seng Bank ⁴	-	-	41,377	-
- China Construction Bank Dongqu Branch ⁵	82,500	-	110,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch ⁶	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank ⁴	-	-	18,236	-

Notes:

- ¹ The bills payable of RMB 59.0 million and short-term bank loan of RMB 112.0 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, Shenu 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 30 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, Shenu 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 7.9 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 banking facilities from Hang Seng Bank had lapsed in 3Q2018. The Group has obtained new banking facilities from Bank of China (Hong Kong) Limited in financing the trading activities of its Hong Kong trading company. The Company will make separate disclosure announcement on the new banking facilities.
- 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 30/9/2018 Unaudited RMB'000	3 months Ended 30/9/2017 Unaudited RMB'000	9 months Ended 30/9/2018 Unaudited RMB'000	9 months Ended 30/9/2017 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit/(Loss) before taxation	17,560	3,007	(523)	13,419
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	7,324	6,737	22,844	21,778
Amortisation of land use rights	226	226	679	679
(Written back)/Allowance for doubtful trade receivables	(5,653)	(676)	1,399	1,546
(Written back)/Allowance for doubtful prepayment	(507)	(3,247)	3,471	(3,989)
Provision for social contribution	355	121	1,065	363
Interest expense	4,477	3,226	13,265	10,132
Interest income	(297)	(241)	(634)	(842)
Foreign currency difference	(2,333)	1,286	(2,726)	3,205
Total adjustments	3,592	7,432	39,363	32,872
Operating cash flows before changes in working capital	21,152	10,439	38,840	46,291
(Increase)/ Decrease in:				
Inventories	(6,674)	2,936	(52,865)	(28,754)
Trade and other receivables	8,967	9,242	10,688	8,670
Prepayments	(32,825)	(22,696)	28,873	(7,323)
<u>Increase/ (Decrease) in:</u>				
Trade payables	(4,246)	(4,503)	1,533	4,411
Other payables & accruals	(7,322)	21,855	(63,155)	(28,341)
Due to directors	92,310	(6,903)	85,095	18,872
Total changes in working capital	50,210	(69)	10,169	(32,465)
Cash flows generated from operations	71,362	10,370	49,009	13,826
Interest expense paid	(4,477)	(3,226)	(13,265)	(10,132)
Interest income received	297	241	634	842
Income tax paid	(296)	(1,331)	(3,396)	(3,147)
Net cash generated from operating activities	66,886	6,054	32,982	1,389
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(19,730)	(8,323)	(36,729)	(11,433)
Purchase of investment properties	-	-	-	(62)
Net cash used in investing activities	(19,730)	(8,323)	(36,729)	(11,495)
FINANCING ACTIVITIES				
Capital contribution by non-controlling interests	-	-	40	-
Proceeds from short-term borrowings	88,600	128,000	138,900	157,060
Repayments for short-term borrowings	(154,510)	(128,000)	(228,120)	(187,000)
(Increase) / Decrease in fixed deposits pledged to banks	(15,000)	(5,500)	(16,000)	6,900
Net cash used in financing activities	(80,910)	(5,500)	(105,180)	(23,040)
NET DECREASE IN CASH & CASH EQUIVALENTS	(33,754)	(7,769)	(108,927)	(33,146)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	73,142	203,850	148,315	229,227
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	39,388	196,081	39,388	196,081

Note A:

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

	9 months Ended 30/9/2018 Unaudited RMB'000	9 months Ended 30/9/2017 Unaudited RMB'000
Fixed deposits	47,500	33,000
Cash and bank balances	39,388	214,431
	<hr/>	<hr/>
Less: Bank overdraft	86,888	247,431
Fixed deposits (pledged)	-	(18,350)
	<hr/>	<hr/>
Cash and cash equivalents	(47,500)	(33,000)
	<hr/>	<hr/>
	39,388	196,081

Fixed deposits amounting to RMB 47,500,000 (2017: RMB 33,000,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts respectively.

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	Equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	-
At 30 September 2017	772,574	(6,408)	64,857	39,573	(117,878)	(5,782)	(93,598)	-	653,338
At 1 January 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,168)	(88,386)	-	661,177
Total comprehensive loss for the period	-	-	-	-	-	-	(4,909)	(2,519)	(24)
Capital contribution by Non-controlling interests	-	-	-	-	-	-	-	-	40
At 30 September 2018	772,574	(6,408)	65,870	39,573	(117,878)	(9,077)	(90,905)	16	653,765
Company	Share capital	Treasury shares	Contributed surplus	Accumulated (losses)	Total equity				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
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				
At 1 January 2018	772,574	(6,408)	39,573	(80,802)	724,937				
Total comprehensive income for the period	-	-	-	4,980	4,980				
At 30 September 2018	772,574	(6,408)	39,573	(75,822)	729,917				

Group	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Contributed surplus RMB'000	Restructuring reserve¹ RMB'000	Translation reserve RMB'000	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 ^c
At 1 July 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,916)	(107,670)	(1)	641,144
Total comprehensive income for the period	-	-	-	-	-	(4,161)	16,765	17	12,621
At 30 September 2018	772,574	(6,408)	65,870	39,573	(117,878)	(9,077)	(90,905)	16	653,765
Company	Share capital RMB'000	Treasury shares RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total equity RMB'000				
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				
At 1 July 2018	772,574	(6,408)	39,573	(81,700)	724,039				
Total comprehensive income for the period	-	-	-	5,878	5,878				
At 30 September 2018	772,574	(6,408)	39,573	(75,822)	729,917				

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 2018, there were no shares acquired.

Convertibles

For the nine months ended 30 September 2018, there were no outstanding convertibles.

Subsidiary Holdings

For the nine months ended 30 September 2018, 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 2018	As at 31 December 2017
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 2018 and 31 December 2017.

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

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 2018	277,720
Purchases of shares during the period	-
Total number of shares as at 30 September 2018	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 September 2018.

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.

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 2017 have been applied in the preparation for the financial statements for the nine months ended 30 September 2018.

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) (in RMB):	Group		Group	
	3 months ended 30/6/2018	3 months ended 30/9/2017	9 months ended 30/6/2018	9 months ended 30/9/2017
(a) Basic and	97.4	8.3	(14.6)	58.1
(b) On a fully diluted basis	97.4	8.3	(14.6)	58.1

Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 30 September 2018: 17,205,438 ordinary shares (2017: 17,205,438).

For the nine months ended 30 September 2018 and 2017, 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 2018 and 2017.

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	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
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 30/9/2018 : 17,205,438 (as at 31/12/2017 : 17,205,438 shares)	38.0	38.4	42.4	42.1

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 30/9/2018 Unaudited	3 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2018 Unaudited	9 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper	91,940	97,897	(6)	286,072	285,609	0
Trading	135,454	106,010	28	341,558	346,724	(1)
Processing	20,036	17,405	15	61,952	48,153	29
Inter-segment sales	(7,289)	(4,616)	58	(15,815)	(13,870)	14
Rental and management fee income	6,663	-	100	7,953	-	100
Total Group Revenue	246,804	216,696	14	681,720	666,616	2

COST OF SALES

Zipper	83,984	87,133	(4)	260,813	253,276	3
Trading	132,284	103,339	28	332,236	339,094	(2)
Processing	18,185	17,008	7	58,375	47,811	22
Inter-segment sales	(7,289)	(4,616)	58	(15,815)	(13,870)	14
Rental and management fee income	8	-		10	-	100
Total Group Cost of Sales	227,172	202,864	12	635,619	626,311	1

GROSS PROFIT

Zipper	7,956	10,764	(26)	25,259	32,333	(22)
Trading	3,170	2,671	18	9,322	7,630	22
Processing	1,851	397	366	3,577	342	945
Rental and management fee income	6,655	-	100	7,943	-	100
Total Gross Profit	19,632	13,832	42	46,101	40,305	14

GROSS PROFIT MARGIN

	%	%	% pts	%	%	% pts
Zipper	8.7	11.0	(2.3)	8.8	11.3	(2.5)
Trading	2.3	2.5	(0.2)	2.7	2.2	0.5
Processing	9.2	2.3	7.0	5.8	0.7	5.1
Average Gross Profit Margin	8.0	6.4	1.6	6.8	6.0	0.8

9M2018 vs. 9M2017

Revenue

The Group's revenue increased by RMB 15.0 million (or 2%) to RMB 681.7 million. This was mainly due to the increase in the sales of the Processing segment (RMB 13.8 million), Zipper segment (RMB 0.5 million) and contribution of RMB 8.0 million under "rental and management fee income" ("Property Income"). The increase was partially offset by the decrease in revenue contributions from the Trading segment (RMB 5.2 million)

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

The increases in revenue in both the Zipper and Processing segments were mainly due to the increase in sales volume arising from a stable quality of zippers achieved following the partial automation of the Group's production process.

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 9M2018 arising from the upward adjustment of the pricing strategy. This however resulted in higher gross profit on lower sales.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 5.8 million (or 14%) to RMB 46.1 million. The increase in gross profit was attributable to the Trading segment, Processing segment and Property Income segment, a new business segment, following the completion of the construction of the Group's Xiamen Headquarters ("Xiamen HQ").

Average gross profit margin increased by 0.8 percentage point to 6.8% due to the increase in gross profit margin from the Processing segment in 9M2018 as a result of lower costs after partial automation of the Group's production process.

Other income and expenses

Other income comprises government subsidies and foreign exchange gain. The net income decreased was due mainly to write back of other receivables in 9M2017 but there was no such income in 9M2018.

The foreign exchange gain arose from the depreciation 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 depreciation of RMB against HK dollar.

Selling and distribution expenses

Selling and distribution expenses increased by RMB 0.8 million (or 17%) to RMB 5.4 million as a result of increase in promotional expenses from roadshows and increase in staff costs from higher number of sales staff in 9M2018.

General and administrative expenses

General and administrative expenses increased by RMB 12.1 million (or 53%) to RMB 34.7 million. This was mainly due to the RMB3.5 million in allowance for prepayments to suppliers in 9M2018 while there was a written back of RMB4.0 million of prepayments in 9M2017. In addition, there were

property management expenses incurred on the Xiamen HQ from the new Property Income segment in 9M2018 while there was no Property Income segment in 9M2017.

The allowance for doubtful trade receivables amounted to RMB 1.4 million arose from longer credit period requests from some customers. Due to the challenging business environment facing some of the Group's customers in the PRC, the Group had obliged to these customers' request for longer credit terms in order to retain these customers. According to the Group's accounting policy, the extended credit period will be accounted for as allowance for doubtful debts on a prudent basis.

These customers are solvent and continue to trade with the Group on a regular basis. Management is closely monitoring the collections of these customers and for cases of long outstanding debts, the Group's sale representatives would collect the outstanding balances from them in person. So far, there has been no collection issue.

The allowance for prepayments to suppliers amounted to RMB 3.5 million were more than 6 months and the raw materials not yet delivered. In accordance with the Group's accounting policy, allowance was made for prepayments that were more than 6 months old.

Finance income and expenses

Finance expenses increased by RMB 3.1 million to RMB 13.3 million. This was attributable to the increase in interest expenses after the completion of Xiamen HQ as these interest expenses cannot be capitalized.

Finance income decreased by RMB 0.2 million (or 25%) to RMB 0.6 million was due mainly to the decrease in cash and bank balance.

Tax expense

	Group		
	6 months Ended 30/9/2018 Unaudited	6 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	1,930	2,854	(32)
Deferred tax ²	90	576	(84)
Tax expense	2,020	3,430	(41)

Notes :

¹ Current tax decreased by RMB 0.9 million or 32% was in line with the decrease in profit before taxation in 9M2018.

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%.

3Q2018 vs. 3Q2017 (3 months)

Revenue

The Group's revenue increased by RMB 30.1 million (or 14%) to RMB 246.8 million. This was mainly due to the increase in the sales of the Trading segment (RMB 29.4 million), Processing segment (RMB 2.6 million) and contribution of RMB 6.7 million under "rental and management fee income" ("Property Income"). The increase was partially offset by the decrease in revenue

contributions from the Zipper segment (RMB 6.0 million).

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

The decrease in revenue from the Zipper segment was attributable to a deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy. This had resulted in the decrease in sales order from customers.

The increases in revenue in the Processing segment was mainly due to the increase in sales volume arising from a stable quality of its zippers achieved following the partial automation of the Group's production processes.

The increase in revenue from the Trading segment was due to an increase in sales orders from customers during 3Q2018.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 5.8 million (or 42%) to RMB 19.6 million. The increase in gross profit was attributable to the Trading segment, Processing segment and Property Income segment, a new business segment, following the completion of the Xiamen HQ.

Average gross profit margin increased by 1.6 percentage point to 8.0% due to the increase in gross profit margin from the Processing segment in 3Q2018 as a result of lower costs after partial automation of the Group's production process.

Other income and other expenses

Other income comprises government subsidies and foreign exchange gain. The net income increased was due mainly to the increase in foreign exchange gain.

The foreign exchange gain arose from the depreciation 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 depreciation of RMB against HK dollar.

Selling and distribution expenses

Selling and distribution expenses increased by RMB 0.7 million (or 53%) to RMB 2.1 million as a result of increase in advertising expenses for a roadshow during 3Q2018.

General and administrative expenses

General and administrative expenses decreased by RMB 2.3 (or 67%) to RMB 1.1 million. This was mainly due to the written back of doubtful trade receivables of RMB 5.7 million in 3Q2018 as a result of settlement of outstanding balance by some customers.

Finance income and expenses

Finance expenses increased by RMB 1.3 million (or 39%) to RMB 4.5 million. This was attributable to the increase in interest expenses after the completion of Xiamen HQ as these interest expenses cannot be capitalized.

Finance income increased by RMB 0.1 million (or 23%) to RMB 0.3 million was due mainly to the increase in interest income from fixed deposits.

Tax expense

	Group		
	3 months Ended 30/9/2018 Unaudited	3 months Ended 30/9/2017 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	719	1,438	(50)
Deferred tax ²	60	151	(60)
Tax expense	779	1,589	(51)

Notes:

¹ Current tax decreased by RMB 0.7 million or 50% was in line with the decrease in profit before taxation in 3Q2018.

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 2018, non-current assets amounted to RMB 804.1 million comprising property, plant and equipment, investment property, land use rights, and prepayments.

The Group's property, plant and equipment amounted to RMB 277.0 million, an increase of 5% (or RMB 14.4 million) compared to RMB 262.6 million as at 31 December 2017. The increase was due mainly to the purchase of property, plant and equipment in 9M2018 but partially offset by the depreciation expenses.

The prepayment balance as at 30 September 2018 represented the deposit paid for purchase of machinery.

Current assets

As at 30 September 2018, current assets amounted to RMB 532.3 million, a decrease of 16% (or RMB 99.0 million) compared to RMB 631.3 million as at 31 December 2017. This was due largely to a decrease in prepayments, trade and other receivables, cash and bank balances which were offset by the increase in inventories and bank deposits

Inventories increased by RMB 52.9 million (or 94%) to RMB 109.4 million due to a build-up of inventories as the Group normally held a 3-month raw materials production requirement for the purpose of production efficiency compared to a 2-month raw materials production requirement as at 31 December 2017.

The decrease in prepayments to suppliers was due mainly to the utilization and conversion of the prepayments into raw materials purchase and also the optimization of the full credit periods from its suppliers

For advances to suppliers, the Group will secure supply agreements with its various suppliers. The prepayments to suppliers were to secure 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 decreased from RMB 166.6 million to RMB 39.4 million due mainly to the repayment of short-term bank loans and purchase of plant and machineries.

Current liabilities

As at 30 September 2018, total current liabilities were RMB 654.2 million, a decrease of 11% (or RMB 78.4 million) compared to RMB 732.6 million as at 31 December 2017. This was mainly attributable to the decrease in short-term bank loans, bills payable to banks, other payables and accruals. The decrease was offset by the increase in trade payables and amount due to a director.

The increase in trade payables was due mainly to maximizing the credit period.

The decrease in other payables and accruals was mainly due to the settlement of construction costs of investment property.

The decrease in short-term bank loans was due mainly to repayment of bank loans in 3Q2018.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the repayment of short-term bank loans and bank overdrafts. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who agreed that the personal loan granted shall be interest free.

Non-current liabilities

Non-current liabilities comprise deferred tax liabilities. The increase in deferred tax liabilities was due to the provision of withholding tax expense of RMB0.1 million in 9M2018 as explained above under the notes for tax expense.

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 9M2018 amounted to RMB 33.0 million compared to RMB 1.4 million in 9M2017, and in 3Q2018 amounted to RMB 66.9 million compared to RMB 6.1 million in 3Q2017, this was due mainly to the increase in amount due to a director in 3Q2018 and 9M2018.

Investing activities

Net cash flows used in investing activities in 9M2018 amounted to RMB 36.7 million compared to RMB 11.5 million in 9M2017, and in 3Q2018 amounted to RMB 19.7 million compared to RMB 8.3 million in 3Q2017, due mainly to the higher purchase of property, plant and equipment in 9M2018 and 3Q2018 compared to 9M2017 and 3Q2017.

Financing activities

Net cash flows used in financing activities in 9M2018 amounted to RMB 105.2 million compared to RMB23.0 million in 9M2017 and in 3Q2018 amounted to RMB 80.9 million compared to RMB 5.5 million in 3Q2017. This was due mainly to the higher repayment of short-term bank loans in 9M2018 and 3Q2018 compared to 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 3Q2018 and 9M2018 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 14 August 2018.

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, uncertainties for export sales, cost pressures arising from rising production costs will continue to affect the Group's operating outlook for the next twelve months.

In view of the challenging business environment, the Group will strive to keep a tight rein over the operating costs and monitor its receivables and collections closely.

Update on the leasing of the Xiamen HQ

As at 30 September 2018, the leasing rate of the Group's Xiamen HQ was approximately 50%. The Group will continue its efforts in leasing out the remaining vacant office units of its Xiamen HQ and is cautiously optimistic of achieving its internal leasing target of 60% by the year end, subject to and barring no adverse changes in the prevailing market conditions.

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

13 November 2018

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 2018 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: 13 November 2018