

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016.**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 second quarter and half year ended 30 June 2016.
These figures have not been audited.

| | Group | | | Group | | |
|---|---|---|-------------------------|---|---|-------------------------|
| | 3 months Ended 30/6/2016 Unaudited | 3 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) | 6 months Ended 30/6/2016 Unaudited | 6 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Revenue | 190,207 | 162,688 | 17 | 376,769 | 314,986 | 20 |
| Cost of sales | (177,637) | (150,105) | 18 | (353,740) | (292,154) | 21 |
| Gross profit | 12,570 | 12,583 | - | 23,029 | 22,832 | 1 |
| Other income and expenses | 3,741 | (575) | NM | 3,085 | 154 | 1903 |
| Selling and distribution expenses | (1,378) | (1,749) | (21) | (3,422) | (3,060) | 12 |
| General and administrative expenses | (14,269) | (10,848) | 32 | (27,783) | (25,124) | 11 |
| (Loss)/Profit from operating activities | 664 | (589) | NM | (5,091) | (5,198) | (2) |
| Finance income | 364 | 595 | (39) | 1,424 | 1,124 | 27 |
| Finance expense | (3,650) | (3,798) | (4) | (6,913) | (6,565) | 5 |
| Loss before taxation | (2,622) | (3,792) | (31) | (10,580) | (10,639) | (1) |
| Income tax expense | (902) | (304) | 197 | (1,547) | (421) | 267 |
| Loss for the period attributable to shareholders | (3,524) | (4,096) | (14) | (12,127) | (11,060) | 10 |

Statement of Comprehensive Income

Loss attributable to shareholders

Other comprehensive (loss)/income for the period

Item that may be reclassified subsequently to profit or loss

Exchange differences on translating foreign operations

Total comprehensive loss for the period attributable to shareholders

| | | | | | |
|---------|---------|------|----------|----------|----|
| (3,524) | (4,096) | (14) | (12,127) | (11,060) | 10 |
| (2,733) | 464 | NM | (2,157) | 38 | NM |
| (6,257) | (3,632) | 72 | (14,284) | (11,022) | 30 |

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

| | | | | | | |
|---|---------|--------|------|---------|--------|------|
| Allowance for doubtful trade receivables | 6,554 | 743 | 782 | 10,038 | 5,969 | 68 |
| Allowance for doubtful prepayment | 54 | - | 100 | 54 | - | 100 |
| Amortisation of land use rights | 242 | 237 | 2 | 484 | 484 | - |
| Amortisation of intangible assets | 2 | 3 | - | 5 | 5 | - |
| Provision for social contribution | (123) | 790 | NM | (245) | 674 | NM |
| Depreciation of property, plant and equipment | 8,692 | 10,585 | (18) | 17,537 | 21,720 | (19) |
| Foreign exchange loss/(gain), net | (3,700) | 720 | NM | (3,014) | 90 | NM |
| Salaries and bonuses | 16,612 | 19,057 | (13) | 30,890 | 34,924 | (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 | |
|---|------------------|-------------------|------------------|-------------------|
| | 30/6/2016 | 31/12/2015 | 30/6/2016 | 31/12/2015 |
| | Unaudited | Audited | Unaudited | Audited |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 267,914 | 285,159 | - | - |
| Investment properties | 406,840 | 376,620 | - | - |
| Land use rights | 32,477 | 32,961 | - | - |
| Intangible assets | 1 | 5 | - | - |
| Prepayments | 852 | 401 | - | - |
| Investment in subsidiaries | - | - | 344,853 | 344,853 |
| | 708,084 | 695,146 | 344,853 | 344,853 |
| Current assets | | | | |
| Inventories | 68,056 | 57,910 | - | - |
| Trade and other receivables | 256,240 | 280,486 | 2 | 2 |
| Prepayments | 61,708 | 65,086 | - | - |
| Amount due from subsidiaries (non-trade) | - | - | 490,107 | 488,744 |
| Fixed deposits | 29,000 | 40,750 | - | - |
| Cash and bank balances | 333,236 | 328,639 | 255 | 275 |
| | 748,240 | 772,871 | 490,364 | 489,021 |
| Total assets | 1,456,324 | 1,468,017 | 835,217 | 833,874 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables | 7,622 | 9,718 | - | - |
| Bills payable to banks | 106,454 | 132,841 | - | - |
| Other payables & accruals | 242,121 | 225,861 | 1,253 | 1,421 |
| Amount due to directors (non-trade) | 10,452 | 7,016 | 7,350 | 6,720 |
| Amount due to related companies (non-trade) | - | - | - | - |
| Short-term bank loans | 332,897 | 293,188 | - | - |
| Bank overdrafts | 18,963 | 18,567 | - | - |
| Income tax payable | 4,491 | 4,305 | - | - |
| Total current liabilities | 723,000 | 691,496 | 8,603 | 8,141 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 32,118 | 61,031 | - | - |
| | 32,118 | 61,031 | - | - |
| Total liabilities | 755,118 | 752,527 | 8,603 | 7,180 |
| 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 | 64,590 | 64,590 | - | - |
| Restructuring reserve | (117,878) | (117,878) | - | - |
| Contributed surplus | 39,573 | 39,573 | 39,573 | 39,573 |
| Translation reserve | (6,235) | (4,078) | - | - |
| Accumulated (losses) /profits | (45,010) | (32,883) | 20,875 | 19,994 |
| Total equity | 701,206 | 715,490 | 826,614 | 825,733 |
| Total equity and liabilities | 1,456,324 | 1,468,017 | 835,217 | 833,874 |

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 June 2016 | | As at 31 December 2015 | |
|---|--------------------|-----------|------------------------|-----------|
| | Secured | Unsecured | Secured | Unsecured |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bills payable to banks | | | | |
| - China CITIC Bank ¹ | 36,200 | - | 73,500 | - |
| - China Construction Bank ² | 25,000 | - | 35,000 | - |
| - Hang Seng Bank ⁴ | 45,254 | - | 44,341 | - |
| Short-term bank loans | | | | |
| - China CITIC Bank ¹ | 159,000 | - | 120,000 | - |
| - Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³ | 9,000 | - | 9,000 | - |
| - Hang Seng Bank ⁴ | 35,897 | - | 35,188 | - |
| - 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 | 18,963 | - | 18,567 | - |

Notes:

- ¹ The bills payable of RMB 36.2 million and short-term bank loan of RMB159.0 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, Shenhui 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 25 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, Shenhui 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 45.3 million, the short-term loan of RMB 35.9 million and the bank overdraft of RMB 18.9 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 30/6/2016 Unaudited RMB'000 | 3 months Ended 30/6/2015 Unaudited RMB'000 | 6 months Ended 30/6/2016 Unaudited RMB'000 | 6 months Ended 30/6/2015 Unaudited RMB'000 |
|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Loss before taxation | (2,622) | (3,792) | (10,580) | (10,639) |
| <u>Adjustments for:</u> | | | | |
| Depreciation of property, plant and equipment | 8,692 | 10,585 | 17,537 | 21,720 |
| Amortisation of land use rights | 242 | 242 | 484 | 484 |
| Amortisation of intangible assets | 2 | 3 | 5 | 5 |
| Allowance for doubtful trade receivables | 6,554 | 744 | 10,038 | 5,969 |
| Allowance for doubtful prepayment | 54 | - | 54 | - |
| Provision for social contribution | (123) | (790) | (245) | 674 |
| Interest expense | 3,650 | 3,797 | 6,913 | 6,565 |
| Interest income | (364) | (595) | (1,425) | (1,124) |
| Foreign currency difference | (1,835) | 335 | (1,447) | 27 |
| Total adjustments | 16,872 | 14,321 | 31,914 | 34,320 |
| Operating cash flows before changes in working capital | 14,250 | 10,529 | 21,334 | 23,681 |
| <u>(Increase)/ Decrease in:</u> | | | | |
| Inventories | (15,850) | (13,136) | (10,146) | (35,603) |
| Trade and other receivables | (4,298) | (29,897) | 16,741 | (30,901) |
| Prepayments | 12,715 | 16,488 | 3,323 | 24,827 |
| <u>Increase/ (Decrease) in:</u> | | | | |
| Trade payables | 14 | (4,608) | (2,096) | (1,004) |
| Other payables & accruals | (6,793) | (2,661) | (12,414) | (22,851) |
| Due to directors | (4,806) | 5,303 | 3,435 | (21,213) |
| Total changes in working capital | (19,018) | (28,511) | (1,157) | (86,745) |
| Cash flows generated from/(used in) operations | (4,768) | (17,982) | 20,177 | (63,064) |
| Interest expense paid | (3,650) | (3,797) | (6,913) | (6,565) |
| Interest income received | 364 | 595 | 1,425 | 1,124 |
| Income tax paid | (29,709) | (233) | (30,274) | (793) |
| Net cash generated used in operating activities | (37,763) | (21,417) | (15,585) | (69,298) |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (122) | (2,509) | (744) | (6,118) |
| Purchase of investment properties | (23,807) | (7,428) | (30,220) | (10,687) |
| Net cash used in investing activities | (23,929) | (9,937) | (30,964) | (16,805) |
| FINANCING ACTIVITIES | | | | |
| Proceeds from short-term borrowings | 20,000 | 50,000 | 69,000 | 98,300 |
| Repayments for short-term borrowings | (20,000) | - | (30,000) | - |
| (Increase) / Decrease in fixed deposits pledged to banks | 7,000 | (3,241) | 11,750 | (652) |
| Net cash generated from financing activities | 7,000 | 46,759 | 50,750 | 97,648 |
| NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS | (54,692) | 15,405 | 4,201 | 11,545 |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 368,965 | 264,697 | 310,072 | 268,557 |
| CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A) | 314,273 | 280,102 | 314,273 | 280,102 |

Note A:

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

| | 6 months Ended 30/6/2016 Unaudited RMB'000 | 6 months Ended 30/6/2015 Unaudited RMB'000 |
|----------------------------------|--|--|
| Fixed deposits | 29,000 | 58,970 |
| Cash and bank balances | 333,236 | 297,541 |
| | <u>362,236</u> | <u>356,511</u> |
| Less: Bank overdraft | (18,963) | (17,438) |
| Fixed deposits (pledged) | (29,000) | (58,970) |
| Cash and cash equivalents | <u>314,273</u> | <u>280,102</u> |

Fixed deposits amounting to RMB 29,000,000 (2015: RMB 58,970,000) 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 RMB'000 | Treasury shares RMB'000 | Reserve fund RMB'000 | Contributed surplus RMB'000 | Restructuring reserve¹ RMB'000 | Translation reserve RMB'000 | Accumulated profits / (losses) RMB'000 | Total equity RMB'000 |
|---|----------------------------------|------------------------------------|---------------------------------|--|--|--|---|---------------------------------|
| At 1 January 2015 | 772,574 | (6,408) | 64,359 | 39,573 | (117,878) | 2,324 | (15,427) | 739,117 |
| Total comprehensive loss for the period | - | - | - | - | - | 38 | (11,060) | (11,022) |
| At 30 June 2015 | 772,574 | (6,408) | 64,359 | 39,573 | (117,878) | 2,362 | (26,487) | 728,095 |
| 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 | - | - | - | - | - | (2,157) | (12,127) | (14,284) |
| At 30 June 2016 | 772,574 | (6,408) | 64,590 | 39,573 | (117,878) | (6,235) | (45,010) | 701,206 |
| Company | | | | | | | | |
| At 1 January 2015 | 772,574 | (6,408) | - | 39,573 | - | - | 15,538 | 821,277 |
| Total comprehensive loss for the period | - | - | - | - | - | - | (2,362) | (2,362) |
| At 30 June 2015 | 772,574 | (6,408) | - | 39,573 | - | - | 13,176 | 818,915 |
| At 1 January 2016 | 772,574 | (6,408) | - | 39,573 | - | - | 19,994 | 825,733 |
| Total comprehensive loss for the period | - | - | - | - | - | - | 881 | 881 |
| At 30 June 2016 | 772,574 | (6,408) | - | 39,573 | - | - | 20,875 | 826,614 |

| 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 April 2015 | 772,574 | (6,408) | 64,359 | 39,573 | (117,878) | 1,898 | (22,391) | 731,727 |
| Total comprehensive loss for the period | - | - | - | - | - | 464 | (4,096) | (3,632) |
| At 30 June 2015 | 772,574 | (6,408) | 64,359 | 39,573 | (117,878) | 2,362 | (26,487) | 728,095 |
| At 1 April 2016 | 772,574 | (6,408) | 64,590 | 39,573 | (117,878) | (3,502) | (41,486) | 707,463 |
| Total comprehensive loss for the period | - | - | - | - | - | (2,733) | (3,524) | (6,257) |
| At 30 June 2016 | 772,574 | (6,408) | 64,590 | 39,573 | (117,878) | (6,235) | (45,010) | 701,206 |
| Company | | | | | | | | |
| At 1 April 2015 | 772,574 | (6,408) | - | 39,573 | - | - | 14,601 | 820,340 |
| Total comprehensive loss for the period | - | - | - | - | - | - | (1,428) | (1,428) |
| At 30 June 2015 | 772,574 | (6,408) | - | 39,573 | - | - | 13,176 | 818,915 |
| At 1 April 2016 | 772,574 | (6,408) | - | 39,573 | - | - | 17,980 | 823,719 |
| Total comprehensive loss for the period | - | - | - | - | - | - | 2,895 | 2,895 |
| At 30 June 2016 | 772,574 | (6,408) | - | 39,573 | - | - | 20,875 | 826,614 |

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

Share Buy-back

During the half year ended 30 June 2016, there were no shares acquired.

Convertibles

For the half year ended 30 June 2016, there were no outstanding convertibles.

- 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 June 2016 | As at 31 December 2015 |
|---|--------------------|------------------------|
| Total number of issued shares excluding treasury shares | 17,205,438 | 17,205,438 |

There was a total of 277,720 treasury shares as at 30 June 2016.

- 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 2016 | 277,720 |
| Purchases of shares during the period | - |
| Total number of shares as at 30 June 2016 | 277,720 |

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2016.

- 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 2015 have been applied in the preparation for the financial statements for the half year ended 30 June 2016.

- 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 half year ended 30 June 2016.

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

| Loss per ordinary share of the group, after deducting any provision for preference dividends (in cents): | Group | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 3 months ended 30/6/2016 | 3 months ended 30/6/2015 | 6 months ended 30/6/2016 | 6 months ended 30/6/2015 |
| (a) Basic and | (20.5) | (23.8) | (70.5) | (64.3) |
| (b) On a fully diluted basis | (20.5) | (23.8) | (70.5) | (64.3) |

Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 30 June 2016: 17,205,438 ordinary shares (2015: 17,205,438).

For the half year ended 30 June 2015 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 June 2015 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 | |
|--|-----------|------------|-----------|------------|
| | 30/6/2016 | 31/12/2015 | 30/6/2016 | 31/12/2015 |
| Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB): | 40.8 | 41.6 | 48.0 | 47.9 |
| (Number of ordinary shares in issue as at 30/6/2016: 17,205,438 shares (as at 31/12/2015: 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 30/6/2016 Unaudited | 3 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) | 6 months Ended 30/6/2016 Unaudited | 6 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) |
| REVENUE | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Zipper Chain | 68,893 | 83,369 | (17) | 126,158 | 144,637 | (13) |
| Zipper Slider | 22,087 | 20,332 | 9 | 43,378 | 41,478 | 5 |
| Trading | 89,795 | 49,039 | 83 | 188,122 | 108,234 | 74 |
| Processing | 14,725 | 17,233 | (15) | 26,885 | 31,240 | (14) |
| Inter-segment sales | (5,293) | (7,285) | (27) | (7,774) | (10,603) | (27) |
| Total Group Revenue | 190,207 | 162,688 | 17 | 376,769 | 314,986 | 20 |

COST OF SALES

| | | | | | | |
|---------------------------|---------|---------|------|---------|----------|------|
| Zipper Chain | 61,399 | 73,542 | (17) | 112,992 | 127,798 | (12) |
| Zipper Slider | 19,304 | 18,688 | 3 | 38,292 | 37,780 | 1 |
| Trading | 87,721 | 47,841 | 83 | 183,707 | 105,596 | 74 |
| Processing | 14,506 | 17,319 | (16) | 26,523 | 31,583 | (16) |
| Inter-segment sales | (5,293) | (7,285) | (27) | (7,774) | (10,603) | (27) |
| Total Group Cost of Sales | 177,637 | 150,105 | 18 | 353,740 | 292,154 | 21 |

GROSS PROFIT

| | | | | | | |
|--------------------|--------|--------|------|--------|--------|------|
| Zipper Chain | 7,494 | 9,827 | (24) | 13,166 | 16,839 | (22) |
| Zipper Slider | 2,783 | 1,644 | 69 | 5,086 | 3,698 | 38 |
| Trading | 2,074 | 1,198 | 73 | 4,415 | 2,638 | 67 |
| Processing | 219 | (86) | NM | 362 | (343) | NM |
| Total Gross Profit | 12,570 | 12,583 | - | 23,029 | 22,832 | 1 |

GROSS PROFIT MARGIN

| | % | % | % pts | % | % | % pts |
|------------------------------------|------|-------|-------|------|-------|-------|
| Zipper Chain | 10.9 | 11.8 | (0.9) | 10.4 | 11.6 | (1.2) |
| Zipper Slider | 12.6 | 8.1 | 4.5 | 11.7 | 8.9 | 2.8 |
| Trading | 2.3 | 2.4 | (0.1) | 2.3 | 2.4 | (0.1) |
| Processing | 1.5 | (0.5) | 2.0 | 1.3 | (1.1) | 2.4 |
| Average Gross Profit Margin | 6.6 | 7.7 | (1.1) | 6.1 | 7.2 | (1.1) |
| Zipper Segment Gross Profit Margin | 11.3 | 11.1 | 0.2 | 10.8 | 11.0 | (0.2) |

Note:

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

6M2016 vs. 6M2015

Revenue

The Group's revenue increased by RMB 61.8 million (or 20%) to RMB 376.8 million. The increase was due mainly to the increase in revenue of the Trading segment (RMB 79.9 million) and the Zipper Slider segment (RMB 1.9 million). This was partially offset by the decrease in revenue contributions from the Zipper Chain segment (RMB 18.5 million) and the Processing segment (RMB 4.4 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 and the Processing segment in 6M2016 were 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 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' demand for raw materials. The increase in revenue from the Trading segment was due to an increase in the sales orders from customers during 6M2016.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 0.2 million (or 1%) to RMB 23.0 million. The increase in gross profit was due mainly to the increase in revenue from the Trading segment.

Average gross profit margin decreased by 1.1 percentage points to 6.1% due to the decrease in gross profit margin from the Zipper Chain segment in 6M2016 arising from the decrease in sales order from customers but higher production costs, e.g., factory overheads.

Other income and other expenses

Other income comprises government subsidies, refund of unclaimed cash dividend distribution, rental income and foreign exchange gain while other expenses represented donations. The net income increase was due mainly to the increase in foreign exchange gain arising 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 0.4 million (or 12%) to RMB 3.4 million. The increase was due mainly to the new promotional activities which commenced since 1Q2016.

General and administrative expenses

General and administrative expenses increased by RMB 2.7 million (or 11%) to RMB 27.8 million. This was mainly due to the RMB4.1 million increase in allowance for doubtful debts as a result of longer credit period requests from some customers. These customers are however not the Group's major customers.

Finance income and expenses

Finance expenses increased by RMB 0.3 million (or 5%) to RMB 6.9 million. This was attributable to the increase in short-term bank loans. Finance income increased by RMB 0.3 million (or 27%) to RMB

1.4 million was due mainly to the increase in cash and bank balance.

Tax expense

| | Group | | |
|---------------------------|--|--|-------------------------|
| | 6 months Ended 30/6/2016 Unaudited | 6 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) |
| | RMB'000 | RMB'000 | % |
| Current tax ¹ | 1,384 | 388 | 257 |
| Deferred tax ² | 163 | 33 | 394 |
| Tax expense | 1,547 | 421 | 267 |

Notes :

¹ Current tax increased by RMB 1.0 million or 257% was in line with the increase in profit before taxation in 6M2016.

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%.

2Q2016 vs. 2Q2015 (3 months)

Revenue

The Group's revenue increased by RMB 27.5 million (or 17%) to RMB 190.2 million. The increase was due mainly to the increase in revenue of the Trading segment (RMB 40.8 million), and the Zipper Slider segment (RMB 1.8 million). This was partially offset by the decrease in revenue contributions from the Zipper Chain segment (RMB 14.5 million) and the Processing segment (RMB 2.5 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 in 2Q2016 was attributable to the decrease in sales order from customers.

The increase in revenue from the Trading segment was due to an increase in the sales orders from customers during 2Q2016.

Gross Profit and Gross Profit Margin

The Group's gross profit remained at RMB 12.6 million as at 30 June 2016 despite a decrease in sales order from customers in the Zipper segment.

Average gross profit margin increased by 0.2 percentage point to 11.3% due to the increase in gross profit margin from the Zipper Slider segment in 2Q2016 as a result of automation of production line.

Other income and other expenses

Other income comprises government subsidies, refund of unclaimed cash dividend distribution, rental income and foreign exchange gain while other expenses represented donations. The net income increase was due mainly to the increase in foreign exchange gain arising 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 decreased by RMB 0.4 million (or 21%) to RMB 1.4 million as a result of decrease in staff costs due to a leaner sales force.

General and administrative expenses

General and administrative expenses increased by RMB 3.4 million (or 32%) to RMB 14.3 million. This was mainly due to the RMB 5.8 million increase in allowance for doubtful debts as a result of longer credit period requests from some customers. These customers are however not the Group's major customers.

Finance income and expenses

Finance expenses decreased by RMB 0.1 million (or 4%) to RMB 3.7 million. This was attributable to the slightly decrease in bills payable to banks. Finance income decreased by RMB 0.2 million (or 39%) to RMB 1.4 million was due mainly to the decrease in fixed deposits.

Tax expense

| | Group | | |
|---------------------------|--|--|-------------------------|
| | 3 months Ended 30/6/2016 Unaudited | 3 months Ended 30/6/2015 Unaudited | Increase/ (Decrease) |
| | RMB'000 | RMB'000 | % |
| Current tax ¹ | 572 | 294 | 95 |
| Deferred tax ² | 330 | 10 | 3200 |
| Tax expense | 902 | 304 | 197 |

Notes:

¹ Current tax increased by RMB 0.3 million or 95% was in line with the increase in profit before taxation in 2Q2016.

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 June 2016, non-current assets amounted to RMB 708.1 million comprising property, plant and equipment, investment property, land use rights, intangible assets and prepayments.

The Group's property, plant and equipment amounted to RMB 267.9 million, a decrease of 6% (or RMB 17.2 million) compared to RMB 285.1 million as at 31 December 2015. 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 6M2016.

The decrease in intangible assets was due mainly to the amortization expenses.

Current assets

As at 30 June 2016, current assets amounted to RMB 748.2 million, a decrease of 3% (or RMB 24.6 million) compared to RMB 772.9 million as at 31 December 2015. This was due largely to a decrease in prepayments, fixed deposits, trade and other receivables, which were offset by the increase in inventories, cash and bank balances.

Inventories increased by RMB 10.1 million (or 18%) to RMB 68.1 million due to a build-up of inventory as the Group held a 3-month raw materials requirement for the purpose of production efficiency compared to a 2-month raw materials requirement as at 31 December 2015.

Trade and other receivables decreased by RMB 24.2 million (or 9%) to RMB 256.2 million was in line with the decrease in revenue from the Zipper segment.

The decrease in prepayments to suppliers was due mainly to the decrease 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.

Cash and bank balances increased by RMB 4.6 million (or 1%) to RMB 333.2 million due mainly to the increase in short-term bank loans.

Current liabilities

As at 30 June 2016, total current liabilities were RMB 723.0 million, an increase of 5% (or RMB 31.5 million) compared to RMB 691.5 million as at 31 December 2015. This was mainly attributable to the increase in short-term bank loans, bank overdrafts, income tax payable, amount due to a director, other payables and accruals. The increase was offset by the decrease in trade payables, and bills payable to banks.

The increase in short-term bank loans was due mainly to a new bank loan of RMB39.7 million secured. Please refer to page 4, note 1 for further information.

Trade payables decreased by RMB 2.1 million (or 22%) to RMB 7.6 million, and bills payables decreased by RMB 26.4 million (or 20%) to RMB 106.5 million due to settlement of some trade and bills payables during 6M2016.

Other payables and accruals increased by RMB 16.3 million (or 7%) to RMB 242.1 million due to the increase in construction costs accrued for Xiamen headquarter.

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 the Group's Xiamen headquarter construction project.

Non-current liabilities

Non-current liabilities comprise deferred tax liabilities. The decrease in deferred tax liabilities was due mainly to the settlement of withholding tax as explained above under the note for tax expense.

CASH FLOW

Operating activities

Net cash flows used in operating activities in 6M2016 amounted to RMB 15.6 million compared to RMB 69.3 million in 6M2015, and in 2Q2016 amounted to RMB 37.8 million compared to RMB 21.4 million in 2Q2015, this was due mainly to the settlement of deferred tax liabilities in 2Q2016.

Investing activities

Net cash flows used in investing activities in 6M2016 amounted to RMB 31.0 million compared to RMB 16.8 million in 6M2015, and in 2Q2016 amounted to RMB 23.9 million compared to RMB 9.9 million in 2Q2015, due mainly to the purchase of property, plant and equipment and construction of the HQ Project in 2Q2016 and 6M2016.

Financing activities

Net cash flows generated from financing activities in 6M2016 amounted to RMB 50.8 million compared to RMB 97.6 million in 6M2015, and in 2Q2016 amounted to RMB 7.0 million compared to RMB 46.8 million in 2Q2015, due mainly to the proceeds from new bank loans in 2Q2016 and 6M2016.

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 2Q2016 and 6M2016 is in line with the commentary made in item 10 of the Company's results announcement dated 29 April 2016.

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 Construction progress of the Group's Xiamen Headquarters ("HQ Project").

As of to-date, the HQ Project is approximately 92% completed. The Group targets to complete the construction of the building by end of the year. Upon completion of the construction, the Group will lease out part of the office building for rental income.

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

11 August 2016

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 second quarter and half year ended 30 June 2016 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: 11 August 2016