FUXING CHINA GROUP LIMITED

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

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

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

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

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

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

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

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

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

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

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

Explanation for the material variances for Note A

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

BY ORDER OF THE BOARD

Hong Qing Liang

Executive Chairman and Chief Executive Officer
4 April 2017