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 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 second quarter and half year ended 30 June 2017. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2017 Unaudited	3 months Ended 30/6/2016 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2017 Unaudited	6 months Ended 30/6/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	226,789	190,207	19	449,920	376,769	19
Cost of sales	(212,817)	(177,637)	20	(423,447)	(353,740)	20
Gross profit	13,972	12,570	11	26,473	23,029	15
Other income and expenses	13,125	3,741	251	12,737	3,085	313
Selling and distribution expenses	(1,525)	(1,378)	11	(3,298)	(3,422)	(4)
General and administrative expenses	(7,604)	(14,269)	(47)	(19,196)	(27,783)	(31)
Profit/(Loss) from operating activities	17,968	664	2,606	16,716	(5,091)	NM
Finance income	456	364	25	601	1,424	(58)
Finance expense	(3,306)	(3,650)	(9)	(6,906)	(6,913)	0
Profit/(Loss) before taxation	15,118	(2,622)	NM	10,411	(10,580)	NM
Income tax expense	(909)	(902)	1	(1,841)	(1,547)	19
Profit/(Loss) for the period attributable to shareholders	14,209	(3,524)	NM	8,570	(12,127)	NM
Statement of Comprehensive Income						
Profit/(Loss) attributable to shareholders	14,209	(3,524)	NM	8,570	(12,127)	NM
Other comprehensive (loss)/income for the period						
Item that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	2,406	(2,733)	NM	3,238	(2,157)	NM
Total comprehensive income/(loss) for the period attributable to shareholders	16,615	(6,257)	NM	11,808	(14,284)	NM

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

(Written back)/Allowance for doubtful trade receivables	(2,397)	6,554	NM	2,222	10,038	(78)
(Written back)/Allowance for doubtful prepayment	342	54	533	(742)	54	NM
Amortisation of land use rights	226	242	(7)	453	484	(6)
Amortisation of intangible assets	-	2	-	-	5	-
Provision for social contribution	121	(123)	NM	242	(245)	NM
Depreciation of property, plant and equipment	7,470	8,692	(14)	15,040	17,537	(14)
Foreign exchange loss/(gain), net	2,941	(3,700)	NM	3,488	(3,014)	NM
Salaries and bonuses	16,447	16,612	(1)	30,682	30,890	(1)

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	
	30/6/2017 Unaudited	31/12/2016 Audited	30/6/2017 Unaudited	31/12/2016 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	228,496	241,313	-	-
Investment properties	476,162	476,100	-	-
Land use rights	29,195	29,648	-	-
Prepayment for machinery purchase	1,316	429	-	-
Investment in subsidiaries	-	-	344,853	344,853
	735,169	747,490	344,853	344,853
Current assets				
Inventories	89,423	57,732	-	-
Trade and other receivables	270,310	271,303	2	2
Prepayments	59,106	73,737	-	-
Amount due from subsidiaries (non-trade)	-	-	391,631	399,869
Fixed deposits	27,500	39,900	-	-
Cash and bank balances	222,781	248,798	937	266
	669,120	691,470	392,570	400,137
Total assets	1,404,289	1,438,960	737,423	744,990
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	17,554	8,640	-	-
Bills payable to banks	107,866	144,478	-	-
Other payables & accruals	239,682	253,024	1,623	2,291
Amount due to directors (non-trade)	33,319	7,544	8,620	7,980
Short-term bank loans	310,021	341,278	-	-
Bank overdrafts	18,931	19,571	-	-
Income tax payable	4,315	4,057	-	-
Total current liabilities	731,688	778,592	10,243	10,271
Non-current liabilities				
Deferred tax liabilities	22,867	22,442	-	-
	22,589	22,442	-	-
Total liabilities	754,555	801,034	10,243	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	(7,967)	(11,205)	-	-
Accumulated losses	(95,017)	(103,587)	(78,559)	(71,020)
Total equity	649,734	637,926	727,180	734,719
Total equity and liabilities	1,404,289	1,438,960	737,423	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 June 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]	43,000	-	54,000	-
- China Construction Bank[2]	15,000	-	30,000	-
- Hang Seng Bank[4]	49,866	-	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]	42,961	-	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]	18,931	-	19,571	-

Notes:

[1] The bills payable of RMB 43.0 million and short-term bank loan of RMB129.0 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, Shenhu 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 15 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, Shenhu 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 49.9 million, the short-term loan of RMB 43.0 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 30/6/2017 Unaudited RMB'000	3 months Ended 30/6/2016 Unaudited RMB'000	6 months Ended 30/6/2017 Unaudited RMB'000	6 months Ended 30/6/2016 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**15,118**	**(2,622)**	**10,411**	**(10,580)**
Adjustments for:				
Depreciation of property, plant and equipment	7,470	8,692	15,040	17,537
Amortisation of land use rights	226	242	453	484
Amortisation of intangible assets	-	2	-	5
(Written back)/Allowance for doubtful trade receivables	(2,397)	6,554	2,222	10,038
(Written back)/Allowance for doubtful prepayment	342	54	(742)	54
Provision for social contribution	121	(123)	242	(245)
Interest expense	3,306	3,650	6,906	6,913
Interest income	(296)	(364)	(601)	(1,425)
Foreign currency difference	1,420	(1,835)	1,921	(1,447)
Total adjustments	10,192	16,872	25,441	31,914
Operating cash flows before changes in working capital	**25,311**	**14,250**	**35,852**	**21,334**
(Increase)/ Decrease in:				
Inventories	(24,935)	(15,850)	(31,691)	(10,146)
Trade and other receivables	(4,226)	(4,298)	(571)	16,741
Prepayments	17,672	12,715	15,374	3,323
Increase/ (Decrease) in:				
Trade payables	6,175	14	8,914	(2,096)
Other payables & accruals	(42,501)	(6,793)	(50,196)	(12,414)
Due to directors	17,546	(4,806)	25,775	3,435
Total changes in working capital	(30,269)	(19,018)	(32,395)	(1,157)
Cash flows generated from/(used in) operations	**(4,958)**	**(4,768)**	**3,457**	**20,177**
Interest expense paid	(3,306)	(3,650)	(6,906)	(6,913)
Interest income received	296	364	601	1,425
Income tax paid	(260)	(29,709)	(1,816)	(30,274)
Net cash generated used in operating activities	**(8,228)**	**(37,763)**	**(4,664)**	**(15,585)**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(310)	(122)	(3,111)	(744)
Purchase of investment properties	-	(23,807)	(62)	(30,220)
Net cash used in investing activities	**(310)**	**(23,929)**	**(3,173)**	**(30,964)**
FINANCING ACTIVITIES				
Proceeds from short-term borrowings	19,500	20,000	29,060	69,000
Repayments for short-term borrowings	(20,000)	(20,000)	(59,000)	(30,000)
(Increase) / Decrease in fixed deposits pledged to banks	7,350	7,000	12,400	11,750
Net cash generated from/(used in) financing activities	**6,850**	**7,000**	**(17,540)**	**50,750**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(1,688)	(54,692)	(25,377)	4,201
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	205,538	368,965	229,227	310,072
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	203,850	314,273	203,850	314,273

Note A:

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

	6 months Ended 30/6/2017 Unaudited RMB'000	6 months Ended 30/6/2016 Unaudited RMB'000
Fixed deposits	27,500	29,000
Cash and bank balances	222,781	333,236
	250,281	362,236
Less: Bank overdraft	(18,931)	(17,438)
Fixed deposits (pledged)	(27,500)	(58,970)
Cash and cash equivalents	203,850	314,273

Fixed deposits amounting to RMB 27,500,000 (2016: RMB 29,000,000) 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.

	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve[1]	Translation reserve	Accumulated profits / (losses)	Total equity
Group	**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	-	-	-	-	-	(2,157)	(12,127)	(14,284)
At 30 June 2016	772,574	(6,408)	64,590	39,573	(117,878)	(6,235)	(45,010)	701,206
At 1 January 2017	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	637,926
Total comprehensive loss for the period	-	-	-	-	-	3,238	8,570	11,808
At 30 June 2017	772,574	(6,408)	64,857	39,573	(117,878)	(7,967)	(95,017)	649,734
Company								
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
At 1 January 2017	772,574	(6,408)	-	39,573	-	-	(71,021)	734,718
Total comprehensive loss for the period	-	-	-	-	-	-	(7,538)	(7,538)
At 30 June 2017	772,574	(6,408)	-	39,573	-	-	(78,559)	727,180

Group	**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
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
At 1 April 2017	772,574	(6,408)	64,857	39,573	(117,878)	(10,373)	(109,226)	633,119
Total comprehensive loss for the period	-	-	-	-	-	2,406	14,209	16,615
At 30 June 2017	772,574	(6,408)	64,857	39,573	(117,878)	(7,967)	(95,017)	649,734
Company								
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
At 1 April 2017	772,574	(6,408)	-	39,573	-	-	(73,404)	732,335
Total comprehensive loss for the period	-	-	-	-	-	-	(5,155)	(5,155)
At 30 June 2017	772,574	(6,408)	-	39,573	-	-	(78,559)	727,180

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 half year ended 30 June 2017, there were no shares acquired.

Convertibles
For the half year ended 30 June 2017, there were no outstanding convertibles.

Subsidiary Holdings
For the half year ended 30 June 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 June 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 June 2017 and 31 December 2016.

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, 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 June 2017	277,720

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

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 half year ended 30 June 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 30/6/2017	**3 months ended 30/6/2016**	**6 months ended 30/6/2017**	**6 months ended 30/6/2016**
(a) Basic and	82.6	(20.5)	49.8	(70.5)
(b) On a fully diluted basis	82.6	(20.5)	49.8	(70.5)

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

For the half year ended 30 June 2017and 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 2017and 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	
	30/6/2017	**31/12/2016**	**30/6/2017**	**31/12/2016**
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 30/6/2017 : 17,205,438 (as at 31/12/2016 : 17,205,438 shares)	37.8	37.1	42.3	42.7

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 30/6/2017 Unaudited	**3 months Ended 30/6/2016 Unaudited**	**Increase/ (Decrease)**	**6 months Ended 30/6/2017 Unaudited**	**6 months Ended 30/6/2016 Unaudited**	**Increase/ (Decrease)**
REVENUE	**RMB'000**	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Zipper	101,349	90,980	11	187,712	169,536	11
Trading	115,354	89,795	28	240,714	188,122	28
Processing	16,709	14,725	13	30,748	26,885	14
Inter-segment sales	(6,623)	(5,293)	25	(9,254)	(7,774)	19
Total Group Revenue	226,789	190,207	19	449,920	376,769	19
COST OF SALES						
Zipper	90,139	80,703	12	166,143	151,284	10
Trading	112,799	87,721	29	235,755	183,707	28
Processing	16,502	14,506	14	30,803	26,523	16
Inter-segment sales	(6,623)	(5,293)	25	(9,254)	(7,774)	19
Total Group Cost of Sales	212,817	177,637	20	423,447	353,740	20
GROSS PROFIT						
Zipper	11,210	10,277	9	21,569	18,252	18
Trading	2,555	2,074	23	4,959	4,415	12
Processing	207	219	(5)	(55)	362	NM
Total Gross Profit	13,972	12,570	11	26,473	23,029	15
GROSS PROFIT MARGIN						
	%	**%**	**% pts**	**%**	**%**	**% pts**
Zipper	11.1	11.3	(0.2)	11.5	10.8	0.7
Trading	2.2	2.3	(0.1)	2.1	2.3	(0.3)
Processing	1.2	1.5	(0.3)	(0.2)	1.3	(1.5)
Average Gross Profit Margin	6.2	6.6	(0.4)	5.9	6.1	(0.2)

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.

6M2017 vs. 6M2016

Revenue

The Group's revenue increased by RMB 73.2 million (or 19%) to RMB 449.9 million. The increase was due mainly to the increase in revenue across all business segments of the Group - Trading segment (RMB 52.6 million), Zipper segment (RMB 18.2 million) and Processing segment (RMB 3.9 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 due to 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 (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 increase in revenue from the Trading segment was due to an increase in sales orders from customers during 6M2017 as a result of effective pricing strategy.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 3.4 million (or 15%) to RMB 26.5 million. The increase in gross profit was due mainly to the increases in revenue in both the Zipper and Trading segments.

Average gross profit margin decreased by 0.2 percentage point to 5.9% due to the decrease in gross profit margin from the Processing segment in 6M2017 mainly due to the higher production costs, e.g., factory overheads.

Other income and other expenses

Other income comprises government subsidies, written back of other receivables while other expenses represented foreign exchange loss. The net income increase was due mainly to written back of other receivables as a result of successfully recovering RMB 16.0 million from the purchaser of Qingdao Hong Shi High Technological Co., Ltd. (a former subsidiary of the Group) which was disposed of by the Group in FY2016.

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 0.1 million (or 4%) to RMB 3.3 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 8.6 million (or 31%) to RMB 19.2 million. This was mainly due to the decrease in allowance for doubtful debts of RMB7.8 million as a result of settlement of outstanding balance by customers. The written back of prepayments (RMB 0.7 million) following receipt of raw materials orders also reduced the General and administrative

expenses.

Finance income and expenses

Finance expenses remained flat at RMB 6.9 million as short-term bank loans remained relatively stable. Finance income decreased by RMB 0.8 million (or 58%) to RMB 0.6 million was due mainly to the decrease in cash and bank balance.

Tax expense

	Group		
	6 months Ended 30/6/2017 Unaudited	**6 months Ended 30/6/2016 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	1,416	1,384	2
Deferred tax[2]	425	163	161
Tax expense	1,841	1,547	19

Notes :

[1] Current tax increased by RMB 0.1 million or 2% was in line with the increase in profit before taxation in 6M2017.

[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%.

2Q2017 vs. 2Q2016 (3 months)

Revenue

The Group's revenue increased by RMB 36.6 million (or 19%) to RMB 226.8 million. The increase was due mainly to the increase in revenue across all the business segments - Trading segment (RMB 25.6 million), Zipper segment (RMB 10.4 million) and Processing segment (RMB 2.0 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 due to better quality achieved following the partial automation of the Group's plant and machinery in the production processes.

The increase in revenue from the Trading segment was due to an increase in the sales orders from customers during 2Q2017 as a result of effective pricing strategy.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 1.4 million (or 11%) to RMB 14.0 million. The increase in gross profit was due mainly to the increases in revenue in both the Zipper and Trading segments.

Average gross profit margin decreased by 0.4 percentage point to 6.2% due to the decrease in gross profit margin from the Processing segment in 6M2017 mainly due to the higher production costs,

e.g., factory overheads.

Other income and other expenses

Other income comprises government subsidies, written back of other receivable while other expenses represented foreign exchange loss. The net income increase was due mainly to written back of other receivables as a result of successfully recovering RMB 16.0 million from the purchaser of Qingdao Hong Shi High Technological Co., Ltd. (a former subsidiary of the Group) which was disposed of by the Group in FY2016.

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 increased by RMB 0.1 million (or 11%) to RMB 1.5 million as a result of increase in advertising expenses for a roadshow during 2Q2017.

General and administrative expenses

General and administrative expenses decreased by RMB 6.7 million (or 47%) to RMB 7.6 million. This was mainly due to the decrease in allowance for doubtful debts of RMB8.9 million as a result of settlement of outstanding balance by customers. The written back of prepayments (RMB 0.7 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 9%) to RMB 3.3 million. This was attributable to the marginal decrease in short-term bank loan. Finance income increased by RMB 0.1 million (or 25%) to RMB 0.5 million was due mainly to the higher fixed deposits interest income in 2Q2017.

Tax expense

	Group		
	3 months Ended 30/6/2017 Unaudited	**3 months Ended 30/6/2016 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	631	572	10
Deferred tax[2]	278	330	(16)
Tax expense	909	902	1

Notes:
[1] Current tax increased by RMB 0.06 million or 10% was in line with the increase in profit before taxation in 2Q2017.

[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 POSITIION

Non-current assets

As at 30 June 2017, non-current assets amounted to RMB 735.2 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 228.5 million, a decrease of 5% (or RMB 12.8 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 6M2017.

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

The prepayment balance as at 30 June 2017 represented the deposits paid for purchases of machinery.

Current assets

As at 30 June 2017, current assets amounted to RMB 669.1 million, a decrease of 3% (or RMB 22.4 million) compared to RMB 691.5 million as at 31 December 2016. This was due largely to a decrease in prepayments, fixed deposits, trade and other receivables, cash and bank balances which were partially offset by the increase in inventories.

Inventories increased by RMB 31.7 million (or 55%) to RMB 89.4 million due to a build-up of inventories as the Group 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 2016.

The decrease in prepayments to suppliers was due mainly to the utilization of certain prepayments following the receipt of the raw materials.

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 248.8 million to RMB 222.8 million due mainly to the repayment of short-term bank loans.

Current liabilities

As at 30 June 2017, total current liabilities were RMB 731.7 million, an decrease of 6% (or RMB 46.9 million) compared to RMB 778.6 million as at 31 December 2016. This was mainly attributable to the decrease in short-term bank loans, bank overdrafts, bills payable to banks, other payables and accruals. The decrease was partially offset by the increase in trade payables and amount due to a director.

The increase in trade payables was due mainly to the full utilization of the credit period.

The decrease in short-term bank loans was due mainly to repayment of bank loans in 2Q2017.

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

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the Group's Xiamen HQ 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 comprise deferred tax liabilities. The increase in deferred tax liabilities was due mainly to the increase in withholding tax as explained above under the note for tax expense.

CASH FLOW

Operating activities

Net cash flows used in operating activities in 6M2017 amounted to RMB 4.7 million compared to RMB 15.6 million in 6M2016, and in 2Q2017 amounted to RMB 8.2 million compared to RMB 37.8 million in 2Q2016. This was due mainly to the settlement of deferred tax liabilities in 2Q2016 compared to nil in 2Q2017 and 6M2017.

Investing activities

Net cash flows used in investing activities in 6M2017 amounted to RMB 3.2 million compared to RMB 31.0 million in 6M2016, and in 2Q2017 amounted to RMB 0.3 million compared to RMB 23.9 million in 2Q2016. This was due mainly to the higher construction costs of HQ Project in 2Q2016 and 6M2016.

Financing activities

Net cash flows used in financing activities in 6M2017 amounted to RMB 17.5 million while net cash flows generated from financing activities in 2Q2016 amounted to RMB 50.8 million. This was due mainly to the repayment of short-term bank loans in 6M2017.

Net cash flows generated from financing activities in 2Q2017 amounted to RMB 6.9 million compared to RMB 7.0 million in 2Q2016. This was due mainly to the decrease in fixed deposits pledged to banks.

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 2Q2017 and 6M2017 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 3 May 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.

For the first half of 2017, the Group recorded a 19% increase in revenue compared to the previous corresponding period. The Group will continue to step up on its drive to increase revenue across all its business segments.

Notwithstanding, 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. 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 performance.

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 construction progress of the HQ Project

As last reported, the Group is awaiting the approval from the Chinese government for the legal completion of the HQ Project pending the conduct of various inspections. The Group intends to lease out the excess area required 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

10 August 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 second quarter and half year ended 30 June 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: 10 August 2017