FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)
(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 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 second quarter and half year ended 30 June 2018. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2018 Unaudited	3 months Ended 30/6/2017 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2018 Unaudited	6 months Ended 30/6/2017 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	211,044	226,789	(7)	434,916	449,920	(3)
Cost of sales	(196,566)	(212,817)	(8)	(408,447)	(423,447)	(4)
Gross profit	14,478	13,972	4	26,469	26,473	-
Other income and expenses	6,576	13,125	(50)	860	12,737	(93)
Selling and distribution expenses	(1,933)	(1,525)	27	(3,386)	(3,298)	3
General and administrative expenses	(16,075)	(7,604)	111	(33,576)	(19,196)	75
(Loss)/Profit from operating activities	3,046	17,968	(83)	(9,633)	16,716	NM
Finance income	191	456	(58)	337	601	(44)
Finance expense	(4,404)	(3,306)	33	(8,788)	(6,906)	27
(Loss)/Profit before taxation	(1,167)	15,118	NM	(18,084)	10,411	NM
Income tax expense	(515)	(909)	(43)	(1,241)	(1,841)	(33)
(Loss)/Profit for the period attributable to shareholders	(1,682)	14,209	NM	(19,325)	8,570	NM
Statement of Comprehensive Income						
Net (loss)/profit for the period	(1,682)	14,209	NM	(19,325)	8,570	NM
Other comprehensive (loss)/ income for the period						
Exchange differences on translating foreign operations	(4,768)	2,406	NM	(748)	3,238	NM
Total comprehensive (loss)/income for the period	(6,450)	16,615	NM	(20,073)	11,808	NM
Net (loss)/profit attributable to:						
Equity holders of the Company	(1,726)	14,209	NM	(19,284)	8,570	NM
Non-controlling interests	44	-	NM	(40)	-	NM
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(6,494)	16,615	NM	(20,032)	11,808	NM
Non-controlling interests	44	-	NM	(40)	-	NM

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

(Written back)/Allowance for doubtful trade receivables	3,719	(2,397)	NM	7,051	2,222	217
(Written back)/Allowance for doubtful prepayment	(269)	342	NM	3,978	(742)	NM
Amortisation of land use rights	226	226	-	453	453	-
Provision for social contribution	355	121	193	710	242	193
Depreciation of property, plant and equipment	7,433	7,470	(1)	15,519	15,040	3
Foreign exchange loss/(gain), net	(6,345)	2,941	NM	(630)	3,488	NM
Salaries and bonuses	18,750	16,447	14	34,042	30,682	11

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	
	30/6/2018 Unaudited	31/12/2017 Audited	30/6/2018 Unaudited	31/12/2017 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	264,997	262,571	-	-
Investment properties	498,470	498,470	-	-
Land use rights	28,290	28,743	-	-
Prepayment for machinery purchase	197	1,144	-	-
Investment in subsidiaries	-	-	344,853	344,853
Total non-current assets	791,954	790,928	344,853	344,853
Current assets				
Inventories	102,685	56,495	-	-
Trade and other receivables	279,077	284,101	2	2
Prepayments	26,946	92,623	-	-
Amount due from subsidiaries (non-trade)	-	-	379,800	390,700
Fixed deposits	32,500	31,500	-	-
Cash and bank balances	91,493	166,551	1,353	359
Total current assets	532,701	631,270	381,155	391,059
Total assets	1,324,655	1,422,198	726,008	735,912
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	13,261	7,482	-	-
Bills payable to banks	107,147	113,793	-	-
Other payables & accruals	222,976	268,706	1,559	1,725
Amount due to a director (non-trade)	3,676	10,891	410	9,250
Short-term bank loans	285,483	308,437	-	-
Bank overdrafts	18,351	18,236	-	-
Income tax payable	4,187	5,076	-	-
Total current liabilities	655,081	732,621	1,969	10,975
Non-current liabilities				
Deferred tax liabilities	28,430	28,400	-	-
Total non-current liability	28,430	28,400	-	-
Total liabilities	683,511	761,021	1,969	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	(4,916)	(4,168)	-	-
Accumulated losses	(107,670)	(88,386)	(81,700)	(80,802)
Attributable to equity holders of the Company	641,145	661,177	724,039	724,937
Non-controlling interests	(1)	-	-	-
Total equity	641,144	661,177	724,039	724,937
Total equity and liabilities	1,324,655	1,422,198	726,008	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 June 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]	49,000	-	51,000	-
- China Construction Bank[2]	20,000	-	15,000	-
- Hang Seng Bank[4]	38,147	-	47,793	-
Short-term bank loans				
- China CITIC Bank[1]	119,500	-	129,060	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch[3]	9,000	-	9,000	-
- Hang Seng Bank[4]	41,733	-	41,377	-
- China Construction Bank Dongqu Branch[5]	96,250	-	110,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch [6]	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank[4]	18,351	-	18,236	-

Notes:

[1] The bills payable of RMB 49.0 million and short-term bank loan of RMB119.5 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 20 million bills payable was secured by bank deposits of Jinjiang Fuxing Dress Co. Ltd., and certain land and buildings owned by Fulong Zipper and Weaving Co., Ltd., located at Donghaian Comprehensive Development Zone, 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 38.1 million, the short-term loan of RMB 41.7 million and the bank overdraft of RMB 18.4 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, 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 30/6/2018 Unaudited RMB'000	3 months Ended 30/6/2017 Unaudited RMB'000	6 months Ended 30/6/2018 Unaudited RMB'000	6 months Ended 30/6/2017 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**(1,167)**	**15,118**	**(18,083)**	**10,411**
Adjustments for:				
Depreciation of property, plant and equipment	7,433	7,470	15,519	15,040
Amortisation of land use rights	226	226	453	453
(Written back)/Allowance for doubtful trade receivables	3,719	(2,397)	7,051	2,222
(Written back)/Allowance for doubtful prepayment	(269)	342	3,978	(742)
Provision for social contribution	355	121	710	242
Interest expense	4,405	3,306	8,788	6,906
Interest income	(191)	(296)	(337)	(601)
Foreign currency difference	(2,698)	1,420	(390)	1,921
Total adjustments	12,980	10,192	35,772	25,441
Operating cash flows before changes in working capital	**11,813**	**25,311**	**17,689**	**35,852**
(Increase)/ Decrease in:				
Inventories	3,339	(24,935)	(46,191)	(31,691)
Trade and other receivables	68	(4,226)	1,720	(571)
Prepayments	3,003	17,672	61,698	15,574
Increase/ (Decrease) in:				
Trade payables	(2,625)	6,175	5,779	8,914
Other payables & accruals	(9,684)	(42,501)	(55,833)	(50,196)
Due to directors	(771)	17,546	(7,215)	25,775
Total changes in working capital	(6,670)	(30,269)	(40,042)	(32,395)
Cash flows (used in)/generated from operations	**5,143**	**(4,958)**	**(22,353)**	**3,457**
Interest expense paid	(4,405)	(3,306)	(8,788)	(6,906)
Interest income received	191	296	337	601
Income tax paid	(252)	(260)	(3,100)	(1,816)
Net cash (used in)/generated from operating activities	**677**	**(8,228)**	**(33,904)**	**(4,664)**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(13,185)	(310)	(16,999)	(3,111)
Purchase of investment properties	-	-	-	(62)
Net cash used in investing activities	**(13,185)**	**(310)**	**(16,999)**	**(3,173)**
FINANCING ACTIVITIES				
Capital contribution by non-controlling interests	-	-	40	-
Proceeds from short-term borrowings	50,300	19,500	50,300	29,060
Repayments for short-term borrowings	(50,300)	(20,000)	(73,610)	(59,000)
(Increase) / Decrease in fixed deposits pledged to banks	(1,000)	7,350	(1,000)	12,400
Net cash (used in)/generated from financing activities	**(1,000)**	**6,850**	**(24,270)**	**(17,540)**
NET DECREASE IN CASH & CASH EQUIVALENTS	**(13,508)**	**(1,688)**	**(75,173)**	**(25,377)**
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	**86,650**	**205,538**	**148,315**	**229,227**
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	**73,142**	**203,850**	**73,142**	**203,850**

Note A:

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

	6 months Ended 30/6/2018 Unaudited RMB'000	6 months Ended 30/6/2017 Unaudited RMB'000
Fixed deposits	32,500	27,500
Cash and bank balances	91,493	222,781
	123,993	250,281
Less: Bank overdraft	(18,351)	(18,931)
Fixed deposits (pledged)	(32,500)	(27,500)
Cash and cash equivalents	73,142	203,850

Fixed deposits amounting to RMB 32,500,000 (2017: RMB 27,500,000) 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 reserve**[1] RMB'000	**Translation reserve** RMB'000	**Equity holders of the Company** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2017	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	-	637,926
Total comprehensive profit 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
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	-	-	-	-	-	(748)	(19,284)	(41)	(20,073)
Capital contribution by Non-controlling interests	-	-	-	-	-	-	-	40	40
At 30 June 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,916)	(107,670)	(1)	641,144

Company	**Share capital** RMB'000	**Treasury shares** RMB'000	**Contributed surplus** RMB'000	**Accumulated losses** RMB'000	**Total equity** RMB'000
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
At 1 January 2018	772,574	(6,408)	39,573	(80,802)	724,937
Total comprehensive loss for the period	-	-	-	(898)	(898)
At 30 June 2018	772,574	(6,408)	39,573	(81,700)	724,039

Group	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve[1]	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 April 2017	772,574	(6,408)	64,857	39,573	(117,878)	(10,373)	(109,226)		633,119
Total comprehensive income 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
At 1 April 2018	772,574	(6,408)	65,870	39,573	(117,878)	(148)	(105,944)	(45)	647,594
Total comprehensive loss for the period	-	-	-	-	-	(4,768)	(1,726)	44	(6,450)
At 30 June 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,916)	(107,670)	(1)	641,144

Company	Share capital	Treasury shares	Contributed surplus	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 April 2018	772,574	(6,408)	39,573	(88,708)	717,031
Total comprehensive income for the period	-	-	-	7,008	7,008
At 30 June 2018	772,574	(6,408)	39,573	(81,700)	724,039

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 2018, there were no shares acquired.

Convertibles
For the half year ended 30 June 2018, there were no outstanding convertibles.

Subsidiary Holdings
For the half year ended 30 June 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 June 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 June 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 June 2018	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 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 half year ended 30 June 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 30/6/2017**	**6 months ended 30/6/2018**	**6 months ended 30/6/2017**
(a) Basic and	(10.0)	82.6	(112.1)	49.8
(b) On a fully diluted basis	(10.0)	82.6	(112.1)	49.8

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

For the half year ended 30 June 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 June 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	
	30/6/2018	**31/12/2017**	**30/6/2018**	**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 30/6/2018 : 17,205,438 (as at 31/12/2017 : 17,205,438 shares)	37.2	38.4	42.1	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 30/6/2018 Unaudited	**3 months Ended 30/6/2017 Unaudited**	**Increase/ (Decrease)**	**6 months Ended 30/6/2018 Unaudited**	**6 months Ended 30/6/2017 Unaudited**	**Increase/ (Decrease)**
REVENUE	**RMB'000**	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Zipper	107,435	101,349	6	194,132	187,712	3
Trading	87,011	115,354	(25)	206,104	240,714	(14)
Processing	21,719	16,709	30	41,916	30,748	36
Inter-segment sales	(5,976)	(6,623)	(10)	(8,526)	(9,254)	(8)
Rental and management fee income	855	-	100	1,290	-	100
Total Group Revenue	211,044	226,789	(7)	434,916	449,920	(3)
COST OF SALES						
Zipper	97,969	90,139	9	176,829	166,143	6
Trading	84,098	112,799	(25)	199,952	235,755	(15)
Processing	20,475	16,502	24	40,190	30,803	30
Inter-segment sales	(5,976)	(6,623)	(10)	(8,526)	(9,254)	(8)
Rental and management fee income	-	-		2	-	100
Total Group Cost of Sales	196,566	212,817	(8)	408,447	423,447	(4)
GROSS PROFIT						
Zipper	9,466	11,210	(15)	17,303	21,569	(20)
Trading	2,913	2,555	14	6,152	4,959	24
Processing	1,244	207	501	1,726	(55)	NM
Rental and management fee income	855	-	100	1,288	-	100
Total Gross Profit	14,478	13,972	4	26,469	26,473	-
GROSS PROFIT MARGIN						
	%	**%**	**% pts**	**%**	**%**	**% pts**
Zipper	8.8	11.1	(2.2)	8.9	11.5	(2.6)
Trading	3.3	2.2	1.1	3.0	2.1	0.9
Processing	5.7	1.2	4.5	4.1	(0.2)	4.3
Average Gross Profit Margin	6.9	6.2	0.7	6.1	5.9	0.2

6M2018 vs. 6M2017

Revenue

The Group's revenue decreased by RMB 15.0 million (or 3%) to RMB 434.9 million. This was mainly due to the decrease in the sales of the Trading segment (RMB 34.6 million). The decrease was partially offset by the increase in revenue contributions from the Zipper segment (RMB 6.4 million), the Processing segment (RMB 11.2 million) and contribution of RMB 1.3 million under "rental and management fee income" ("Property Income"), a new business segment, following the completion of the construction of the Group's Xiamen Headquarters ("Xiamen HQ Project").

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 decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during 6M2018 arising from the upward adjustment of the pricing strategy which resulted in higher gross profit on lower sales.

Gross Profit and Gross Profit Margin

The Group's gross profit was flat at RMB 26.5 million. The increase in gross profit from the Trading segment was offset by the decrease in gross profit from the Zipper segment.

Average gross profit margin increased by 0.2 percentage point to 6.1% due to the increase in gross profit margin from the Trading segment in 6M2018 from the upward adjustment of the pricing strategy which resulted in higher gross profit on lower sales. However, the decrease in gross profit margin from the Zipper segment was due mainly to the increase in staff cost arising from salary increments and the increase in factory overheads.

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 6M2017 but there was no such income in 6M2018.

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 0.1 million (or 3%) to RMB 3.4 million as a result of increase in promotional expenses and increase in staff costs from higher number of sales staff.

General and administrative expenses

General and administrative expenses increased by RMB 14.4 million (or 75%) to RMB 33.6 million. This was mainly due to the increases in allowance for doubtful debts, allowance for

prepayments to suppliers and property management costs from the Property Income segment.
The allowance for doubtful trade receivables amounted to RMB 7.1 million was as a result of longer credit period requests from some customers. Due to the challenging business environment facing some of the Group's customers in the PRC, these customers had requested for longer credit terms. 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, the Group's sale representatives have been able to collect most of the outstanding debts after on-site visits.

The allowance for prepayments to suppliers amounted to RMB 3.9 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 1.9 million to RMB 8.8 million. This was attributable to the increase in interest expenses after the completion of Xiamen HQ Project as these interest expenses cannot be capitalized.

Finance income decreased by RMB 0.3 million (or 44%) to RMB 0.3 million was due mainly to the decrease in cash and bank balance.

Tax expenses

	Group		
	6 months Ended 30/6/2018 Unaudited	**6 months Ended 30/6/2017 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	1,211	1,416	(14)
Deferred tax[2]	30	425	(93)
Tax expense	1,241	1,841	(33)

Notes :

[1] Current tax decreased by RMB 0.2 million or 14% was in line with the decrease in profit before taxation in 6M2018.

[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%.

2Q2018 vs. 2Q2017 (3 months)

Revenue

The Group's revenue decreased by RMB 15.7 million (or 7%) to RMB 211.0 million. This was mainly due to the decrease in the sales of the Trading segment (RMB 28.3 million). The decrease was partially offset by the increase in revenue contributions from the Zipper segment (RMB 6.1

million), the Processing segment (RMB 5.0 million) and contribution of RMB 0.9 million under "rental and management fee income" ("Property Income"), a new business segment, following the completion of the construction of the Group's Xiamen Headquarters ("Xiamen HQ Project").

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 decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during 2Q2018 arising from the upward adjustment of the pricing strategy which resulted in higher gross profit despite lower sales.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 0.5 million (or 4%) to RMB 14.5 million. The increase in gross profit from the Trading segment was offset by the decrease in gross profit from the Zipper segment.

Average gross profit margin increased by 0.2 percentage point to 6.1% due to the increase in gross profit margin from the Trading segment in 2Q2018 from the upward adjustment of the pricing strategy which resulted in higher gross profit on lower sales. However, the decrease in gross profit margin from the Zipper segment was due mainly to the increase in staff cost arising from salary increments and the increase in factory overheads.

Other income and other expenses

Other income comprises government subsidies, and foreign exchange gain. The net income decrease was due mainly to write back of other receivables in 2Q2017 but there was no such income in 2Q2018.

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 0.4 million (or 27%) to RMB 1.9 million as a result of increase in advertising expenses for roadshows conducted during 2Q2018.

General and administrative expenses

General and administrative expenses increased by RMB 8.5 million (or 111%) to RMB 16.1 million. This was mainly due to the RMB 6.1 million increase in allowance for doubtful debts due to longer credit period requests from some customers. The written back of prepayments (RMB 0.3 million) represented the receipt of raw materials during 2Q2018.

Finance income and expenses

Finance expenses increased by RMB 1.1 million (or 33%) to RMB 4.4 million. This was attributable to the increase in interest expenses after the completion of Xiamen HQ Project as these interest expenses cannot be capitalized.

Finance income decreased by RMB 0.3 million (or 58%) to RMB 0.2 million was due mainly to the decrease in cash and bank balance.

Tax expenses

	Group		
	3 months Ended 30/6/2018 Unaudited	**3 months Ended 30/6/2017 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	497	631	(21)
Deferred tax[2]	18	278	(94)
Tax expense	515	909	(43)

Notes:

[1] Current tax decreased by RMB 0.1 million or 21% was in line with the decrease in profit before taxation in 2Q2018.

[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 2018, non-current assets amounted to RMB 792.0 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 265.0 million, an increase of 1% (or RMB 2.4 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 6M2018 but partially offset by the depreciation expenses.

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

Current assets

As at 30 June 2018, current assets amounted to RMB 532.7 million, a decrease of 16% (or RMB 98.6 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 46.2 million (or 82%) to RMB 102.7 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 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 91.5 million due mainly to the repayment of short-term bank loans and settlement of construction costs of investment property in 2Q2018.

Current liabilities

As at 30 June 2018, total current liabilities were RMB 655.1 million, a decrease of 11% (or RMB 77.5 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, amount due to a director, other payables and accruals. The decrease was offset by the increase in trade payables.

The increase in trade payables was due mainly to the full utilization of 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 2Q2018.

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. 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 to the provision of withholding tax expense of RMB0.3 million in 6M2018 as explained above under the notes for tax expense.

CASH FLOW

Operating activities

Net cash flows used in operating activities in 6M2018 amounted to RMB 33.9 million compared to RMB 4.5 million in 6M2017, this was due mainly to the increase in inventories in 2Q2018. Net cash flows generated from operating activities in 2Q2018 amounted to RMB 0.7 million while net cash flows used in operating activities in 2Q2017 amounted RMB 8.2 million, this was due mainly to the higher decrease in other payables and accruals in 2Q2017.

Investing activities

Net cash flows used in investing activities in 6M2018 amounted to RMB 33.9 million compared to RMB 4.7 million in 6M2017, and in 2Q2018 amounted to RMB 13.2 million compared to RMB 0.3 million in 2Q2017, due mainly to the purchase of property, plant and equipment in 2Q2018 and 6M2018.

Financing activities

Net cash flows used in financing activities in 6M2018 amounted to RMB 24.3 million and in 6M2017 amounted to RMB 17.5 million. This was due mainly to the repayment of short-term bank loans in 6M2018 and 6M2017.

Net cash flows used in financing activities in 2Q2018 amounted to RMB 1.0 million while net cash flows generated from financing activities in 2Q2017 amounted to RMB 6.9 million. This was due mainly to the increase in fixed deposits pledged to banks in 2Q2017.

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 2Q2018 and 6M2018 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 2 May 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 Project

As at 30 June 2018, the leasing rate of the Group's Xiamen property was approximately 20%. The Group is stepping up its efforts to lease out the 3rd floor to 23rd floor of its Xiamen Property and is cautiously optimistic that the leasing rate will improve in the next few quarters.

11. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

Not Applicable.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company is not required to have a general mandate from shareholders for IPTs.

14. Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7)

The Company hereby confirms that it has procured undertakings from all of its directors and executive officers under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

14 August 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 second quarter and half year ended 30 June 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: 14 August 2018