**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 2019.**

**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 2019. These figures have not been audited.

| | Group | | | Group | | |
|---|---|---|---|---|---|---|
| | 3 months Ended 30/6/2019 Unaudited | 3 months Ended 30/6/2018 Unaudited | Increase/ (Decrease) | 6 months Ended 30/6/2019 Unaudited | 6 months Ended 30/6/2018 Unaudited | Increase/ (Decrease) |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| **Revenue** | 152,521 | 210,189 | (27) | 370,952 | 433,626 | (14) |
| Cost of sales | (143,906) | (196,566) | (27) | (350,301) | (408,445) | (14) |
| Gross profit | 8,615 | 13,623 | (37) | 20,651 | 25,181 | (18) |
| Other income and expenses | 8,865 | 7,431 | 19 | 11,288 | 2,148 | 425 |
| Selling and distribution expenses | (1,321) | (1,933) | (32) | (3,092) | (3,386) | (9) |
| General and administrative expenses | (13,028) | (16,075) | (19) | (22,707) | (33,576) | (32) |
| **Profit/(loss) from operating activities** | 3,131 | 3,046 | 3 | 6,140 | (9,633) | NM |
| Finance income | 82 | 191 | (57) | 292 | 337 | (13) |
| Finance expense | (3,695) | (4,404) | (16) | (6,956) | (8,788) | (21) |
| **Loss before taxation** | (482) | (1,167) | (59) | (524) | (18,084) | (97) |
| Income tax expense | (313) | (515) | (39) | (1,412) | (1,241) | 14 |
| **Loss for the period attributable to shareholders** | (795) | (1,682) | (53) | (1,936) | (19,325) | (90) |
| **Statement of Comprehensive Income** | | | | | | |
| Net loss for the period | (795) | (1,682) | (53) | (1,936) | (19,325) | (90) |
| **Other comprehensive (loss)/ income for the period** | | | | | | |
| Exchange differences on translating foreign operations | (2,359) | (4,768) | (51) | (348) | (748) | (53) |
| **Total comprehensive loss for the period** | (3,154) | (6,450) | (51) | (2,284) | (20,073) | (89) |
| Net loss attributable to: | | | | | | |
| Equity holders of the Company | (840) | (1,726) | (51) | (2,049) | (19,284) | (89) |
| Non-controlling interests | 45 | 44 | 2 | 113 | (41) | NM |
| Total comprehensive loss attributable to: | | | | | | |
| Equity holders of the Company | (3,199) | (6,494) | (51) | (2,397) | (20,032) | (88) |
| Non-controlling interests | 45 | 44 | 2 | 113 | (41) | NM |

**NM: Not Meaningful**

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

| | | | | | | |
|---|---|---|---|---|---|---|
| (Written back)/Allowance for doubtful trade receivables | 1,897 | 3,719 | (49) | 1,692 | 7,051 | (76) |
| (Written back)/Allowance for doubtful prepayment | 563 | (269) | NM | 710 | 3,978 | (82) |
| Amortisation of land use rights | 226 | 226 | - | 453 | 453 | - |
| Depreciation of property, plant and equipment | 7,413 | 7,433 | - | 15,661 | 15,519 | 1 |
| Foreign exchange loss/(gain), net | (3,077) | (6,345) | (52) | 27 | (630) | NM |
| Salaries and bonuses | 16,862 | 18,750 | (10) | 31,342 | 34,042 | (8) |

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 | |
|---|---|---|---|---|
| | 30/6/2019 Unaudited | 31/12/2018 Audited | 30/6/2019 Unaudited | 31/12/2018 Audited |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 282,741 | 265,324 | - | - |
| Investment properties | 510,500 | 510,500 | - | - |
| Land use rights | 27,385 | 27,838 | - | - |
| Prepayment for machinery purchase | 661 | - | - | - |
| Investment in subsidiaries | - | - | 344,853 | 344,853 |
| **Total non-current assets** | 821,287 | 803,662 | 344,853 | 344,853 |
| **Current assets** | | | | |
| Inventories | 108,257 | 70,190 | - | - |
| Trade and other receivables | 261,090 | 268,694 | 2 | 2 |
| Prepayments | 31,939 | 84,642 | - | - |
| Amount due from subsidiaries (non-trade) | - | - | 379,049 | 380,958 |
| Fixed deposits | 64,500 | 40,000 | - | - |
| Cash and bank balances | 41,640 | 23,748 | 739 | 240 |
| **Total current assets** | 507,426 | 487,274 | 379,790 | 381,200 |
| **Total assets** | 1,328,713 | 1,290,936 | 724,643 | 726,053 |
| **EQUITY AND LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade payables | 5,838 | 4,991 | - | - |
| Bills payable to banks | 143,533 | 84,000 | - | - |
| Other payables & accruals | 210,376 | 224,680 | 1,446 | 1,870 |
| Amount due to a director (non-trade) | 7,397 | 56,678 | 1330 | 680 |
| Short-term bank loans | 264,394 | 221,400 | - | - |
| Income tax payable | 3,926 | 3,811 | - | - |
| **Total current liabilities** | 635,464 | 595,560 | 2,776 | 2,550 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 31,712 | 31,555 | - | - |
| **Total non-current liability** | 31,712 | 31,555 | - | - |
| **Total liabilities** | 667,176 | 627,115 | 2,776 | 2,550 |
| **Equity** | | | | |
| Share capital | 772,574 | 772,574 | 772,574 | 772,574 |
| Treasury shares | (6,408) | (6,408) | (6,408) | (6,408) |
| Reserve fund | 66,015 | 66,015 | - | - |
| Restructuring reserve | (117,878) | (117,878) | - | - |
| Contributed surplus | 39,573 | 39,573 | 39,573 | 39,573 |
| Translation reserve | (8,996) | (8,648) | - | - |
| Accumulated losses | (83,589) | (81,540) | (83,872) | (82,236) |
| **Attributable to equity holders of the Company** | 661,291 | 663,688 | 721,867 | 723,503 |
| Non-controlling interests | 246 | 133 | - | - |
| **Total equity** | 661,537 | 663,821 | 721,867 | 723,503 |
| **Total equity and liabilities** | 1,328,713 | 1,290,936 | 724,643 | 726,053 |

**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 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Secured RMB'000** | **Unsecured RMB'000** | **Secured RMB'000** | **Unsecured RMB'000** |
| Bills payable to banks | | | | |
| - China CITIC Bank[1] | 98,000 | - | 64,000 | - |
| - China Construction Bank[2] | 20,000 | - | 20,000 | - |
| - Bank of China (Hong Kong)[4] | 25,533 | - | - | - |
| Short-term bank loans | | | | |
| - China CITIC Bank[1] | 102,500 | - | 112,000 | - |
| - Industrial and Commercial Bank of China – Longhu Jinjiang Branch[3] | 65,400 | - | 7,900 | - |
| - Bank of China (Hong Kong)[4] | 8,744 | - | - | - |
| - China Construction Bank Dongqu Branch[5] | 68,750 | - | 82,500 | - |
| - Fujian Jinjiang Agricultural Bank – Longhu Branch [6] | 19,000 | - | 19,000 | - |

**Notes:**

[1] The bills payable of RMB 98.0 million and short-term bank loan of RMB102.5 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 guarantee from a subsidiary, Jinjiang Fuxing Dress Co. Ltd. and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

[2] The 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 65.4 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 25.5 million, and the short-term loan of RMB 8.7 million were secured by a 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).

Goldplan Corporation Limited is 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 30/6/2019 Unaudited RMB'000 | 3 months Ended 30/6/2018 Unaudited RMB'000 | 6 months Ended 30/6/2019 Unaudited RMB'000 | 6 months Ended 30/6/2018 Unaudited RMB'000 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Loss before taxation** | **(482)** | **(1,167)** | **(524)** | **(18,083)** |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 7,413 | 7,433 | 15,661 | 15,519 |
| Amortisation of land use rights | 226 | 226 | 453 | 453 |
| (Written back)/Allowance for doubtful trade receivables | 1,897 | 3,719 | 1,692 | 7,051 |
| (Written back)/Allowance for doubtful prepayment | 563 | (269) | 710 | 3,978 |
| Provision for social contribution | (652) | 355 | (1,304) | 710 |
| Interest expense | 3,695 | 4,405 | 6,956 | 8,788 |
| Interest income | (83) | (191) | (292) | (337) |
| Foreign currency difference | (2,357) | (2,698) | (348) | (390) |
| Total adjustments | 10,702 | 12,980 | 23,528 | 35,772 |
| **Operating cash flows before changes in working capital** | **10,220** | **11,813** | **23,004** | **17,689** |
| (Increase)/ Decrease in: | | | | |
| Inventories | (23,364) | 3,339 | (38,068) | (46,191) |
| Trade and other receivables | 21,677 | 68 | 6,997 | 1,720 |
| Prepayments | 7,570 | 3,003 | 51,993 | 61,698 |
| Increase/ (Decrease) in: | | | | |
| Trade payables | (579) | (2,625) | 847 | 5,779 |
| Other payables & accruals | 16,791 | (9,684) | 46,534 | (55,833) |
| Due to directors | (22,294) | (771) | (49,281) | (7,215) |
| Total changes in working capital | (199) | (6,670) | 19,022 | (40,042) |
| **Cash flows generated from /(used in) operations** | **10,021** | **5,143** | **42,026** | **(22,353)** |
| Interest expense paid | (3,695) | (4,405) | (6,956) | (8,788) |
| Interest income received | 83 | 191 | 292 | 337 |
| Income tax paid | (525) | (252) | (2,226) | (3,100) |
| **Net cash generated from/(used in)operating activities** | **5,884** | **677** | **33,136** | **(33,904)** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | (31,723) | (13,185) | (33,738) | (16,999) |
| **Net cash used in investing activities** | **(31,723)** | **(13,185)** | **(33,738)** | **(16,999)** |
| **FINANCING ACTIVITIES** | | | | |
| Capital contribution by non-controlling interests | - | - | - | 40 |
| Proceeds from short-term borrowings | 101,736 | 50,300 | 171,430 | 50,300 |
| Repayments for short-term borrowings | (87,186) | (50,300) | (128,436) | (73,610) |
| (Increase) / Decrease in fixed deposits pledged to banks | (7,500) | (1,000) | (24,500) | (1,000) |
| **Net cash generated from/(used in) financing activities** | **7,050** | **(1,000)** | **18,494** | **(24,270)** |
| **NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS** | **(18,789)** | **(13,508)** | **17,892** | **(75,173)** |
| **CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **60,429** | **86,650** | **23,748** | **148,315** |
| **CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)** | **41,640** | **73,142** | **41,640** | **73,142** |

**Note A:**

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

| | | 6 months Ended 30/6/2019 Unaudited RMB'000 | 6 months Ended 30/6/2018 Unaudited RMB'000 |
|---|---|---|---|
| Fixed deposits | | 64,500 | 32,500 |
| Cash and bank balances | | 41,640 | 91,493 |
| | | 106,140 | 123,993 |
| Less: | Bank overdraft | - | (18,351) |
| | Fixed deposits (pledged) | (64,500) | (32,500) |
| **Cash and cash equivalents** | | 41,640 | 73,142 |

Fixed deposits amounting to RMB 64,500,000 (2017: RMB 32,500,000) 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 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 |
| **At 1 January 2019** | 772,574 | (6,408) | 66,015 | 39,573 | (117,878) | (8,648) | (81,540) | 133 | 663,821 |
| Total comprehensive loss for the period | - | - | - | - | - | (348) | (2,049) | 113 | (2,284) |
| **At 30 June 2019** | 772,574 | (6,408) | 66,015 | 39,573 | (117,878) | (8,996) | (83,589) | 246 | 661,537 |

| **Company** | **Share capital** RMB'000 | **Treasury shares** RMB'000 | **Contributed surplus** RMB'000 | **Accumulated (losses)** RMB'000 | **Total equity** RMB'000 |
|---|---|---|---|---|---|
| **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 |
| **At 1 January 2019** | 772,574 | (6,408) | 39,573 | (82,236) | 723,503 |
| Total comprehensive loss for the period | - | - | - | (1,636) | (1,636) |
| **At 30 June 2019** | 772,574 | (6,408) | 39,573 | (83,872) | 721,867 |

| **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 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 |
| **At 1 April 2019** | 772,574 | (6,408) | 66,015 | 39,573 | (117,878) | (6,637) | (82,749) | 201 | 664,691 |
| Total comprehensive loss for the period | - | - | - | - | - | (2,359) | (840) | 45 | (3,154) |
| **At 30 June 2019** | 772,574 | (6,408) | 66,015 | 39,573 | (117,878) | (8,996) | (83,589) | 246 | 661,537 |

| **Company** | **Share capital** | **Treasury shares** | **Contributed surplus** | **Accumulated losses** | **Total equity** |
|---|---|---|---|---|---|
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **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 |
| **At 1 April 2019** | 772,574 | (6,408) | 39,573 | (87,022) | 718,717 |
| Total comprehensive income for the period | - | - | - | 3,150 | 3,150 |
| **At 30 June 2019** | 772,574 | (6,408) | 39,573 | (83,872) | 721,867 |

**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 2019, there were no shares acquired.

Convertibles
For the half year ended 30 June 2019, there were no outstanding convertibles.

Subsidiary Holdings
For the half year ended 30 June 2019, 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 2019** | **As at 31 December 2018** |
|---|---|---|
| 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 2019 and 31 December 2018.

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 2019 | 277,720 |
| Purchases of shares during the period | - |
| Total number of shares as at 30 June 2019 | 277,720 |

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2019.

**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 2018 have been applied in the preparation for the financial statements for the half year ended 30 June 2019.

**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.**

| Loss per ordinary share of the group, after deducting any provision for preference dividends (in cents) (in RMB): | Group | | Group | |
|---|---|---|---|---|
| | **3 months ended 30/6/2019** | **3 months ended 30/6/2018** | **6 months ended 30/6/2019** | **6 months ended 30/6/2018** |
| (a) Basic and | (4.9) | (10.0) | (11.9) | (112.1) |
| (b) On a fully diluted basis | (4.9) | (10.0) | (11.9) | (112.1) |

*Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 30 June 2019: 17,205,438 ordinary shares (2018: 17,205,438).*

*For the half year ended 30 June 2019 and 2018, 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 2019 and 2018.*

**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 | |
|---|---|---|---|---|
| | **30/6/2019** | **31/12/2018** | **30/6/2019** | **31/12/2018** |
| Net asset value per ordinary share based on issued share capital at the end of the period (in RMB):<br>(Number of ordinary shares in issue as at 30/6/2019 : 17,205,438<br>(as at 31/12/2018 : 17,205,438 shares) | 38.5 | 38.6 | 42.0 | 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 30/6/2019 Unaudited** | **3 months Ended 30/6/2018 Unaudited** | **Increase/ (Decrease)** | **6 months Ended 30/6/2019 Unaudited** | **6 months Ended 30/6/2018 Unaudited** | **Increase/ (Decrease)** |
| **REVENUE** | **RMB'000** | **RMB'000** | **%** | **RMB'000** | **RMB'000** | **%** |
| Zipper | 77,289 | 107,435 | (28) | 205,912 | 194,132 | 6 |
| Trading | 63,204 | 87,011 | (27) | 134,781 | 206,104 | (35) |
| Processing | 17,291 | 21,719 | (20) | 37,471 | 41,916 | (11) |
| Inter-segment sales | (5,263) | (5,976) | (12) | (7,212) | (8,526) | (15) |
| Total Group Revenue | 152,521 | 210,189 | (27) | 370,952 | 433,626 | (14) |
| **COST OF SALES** | | | | | | |
| Zipper | 71,238 | 97,969 | (27) | 191,023 | 176,829 | 8 |
| Trading | 61,416 | 84,098 | (27) | 130,963 | 199,952 | (35) |
| Processing | 16,515 | 20,475 | (19) | 35,527 | 40,190 | (12) |
| Inter-segment sales | (5,263) | (5,976) | (12) | (7,212) | (8,526) | (15) |
| Total Group Cost of Sales | 143,906 | 196,566 | (27) | 350,301 | 408,445 | (14) |
| **GROSS PROFIT** | | | | | | |
| Zipper | 6,051 | 9,466 | (36) | 14,889 | 17,303 | (14) |
| Trading | 1,788 | 2,913 | (39) | 3,818 | 6,152 | (38) |
| Processing | 776 | 1,244 | (38) | 1,944 | 1,726 | 13 |
| Total Gross Profit | 8,615 | 13,623 | (37) | 20,651 | 25,181 | (18) |
| **GROSS PROFIT MARGIN** | | | | | | |
| | **%** | **%** | **% pts** | **%** | **%** | **% pts** |
| Zipper | 7.8 | 8.8 | (1.0) | 7.2 | 8.9 | (1.7) |
| Trading | 2.8 | 3.3 | (0.5) | 2.8 | 3.0 | (0.2) |
| Processing | 4.5 | 5.7 | (1.2) | 5.2 | 4.1 | 1.1 |
| Average Gross Profit Margin | 5.6 | 6.5 | (0.9) | 5.6 | 5.8 | (0.2) |

**6M2019 vs. 6M2018**

**Revenue**

The Group's revenue decreased by RMB 62.7 million (or 14%) to RMB 371.0 million. This was mainly due to the decrease in the sales of the Trading segment (RMB 71.3 million), and the Processing segment (RMB 4.4 million). The decrease was partially offset by the increase in revenue contributions from the Zipper segment (RMB 11.8 million).

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

The increase in revenue in the Zipper segment was 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 6M2019 arising from the upward adjustment of the pricing.

**Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by RMB 4.5 million (or 18%) to RMB 20.7 million. The decrease were due to the decrease in gross profit from the Zipper segment and Trading segment.

Average gross profit margin decreased by 0.2 percentage point to 5.6% mainly due to the decrease in gross profit margin from the Zipper segment, arising from the increase in factory overheads.

**Other income and expenses**

Other income comprises government subsidies, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ"). Other expenses mainly represented foreign exchange loss. The net income increase was mainly due to the rental and management fee income of RMB 10.9 million recorded in 6M2019 compared to RMB 2.0 million in 6M2018. The increase was mainly due to the improvement in the leasing rate of the Xiamen HQ in 6M2019 compared to 6M2018.

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 0.3 million (or 9%) to RMB 3.1 million due to decrease in salaries after restructuring of the sales department.

**General and administrative expenses**

General and administrative expenses decreased by RMB 10.9 million (or 32%) to RMB 22.7 million. This was mainly due to the decreases in allowance for doubtful debts, allowance for prepayments to suppliers.

The allowance for doubtful trade receivables amounted to RMB 1.7 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 0.7 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 decreased by RMB 1.8 million to RMB 7.0 million. This was attributable to the decrease in mortgage loan for Xiamen HQ after repayment.

Finance income decreased by RMB 0.1 million (or 13%) to RMB 0.3 million was due mainly to the decrease in cash and bank balance.

**Tax expense**

| | **Group** | | |
|---|---|---|---|
| | **6 months Ended 30/6/2019 Unaudited** | **6 months Ended 30/6/2018 Unaudited** | **Increase/ (Decrease)** |
| | **RMB'000** | **RMB'000** | **%** |
| Current tax[1] | 1,255 | 1,211 | 4 |
| Deferred tax[2] | 157 | 30 | 423 |
| Tax expense | 1,412 | 1,241 | 14 |

Notes :

1 Current tax increased by RMB 0.1 million or 4% was in line with the increase in profit before taxation in 6M2019.

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%.

**2Q2019 vs. 2Q2018 (3 months)**

**Revenue**

The Group's revenue decreased by RMB 57.7 million (or 27%) to RMB 152.5 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB 30.1 million), the Trading segment (RMB 23.8 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 decreases in revenue in both the Zipper and Processing segments 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 decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during 2Q2019 arising from the upward adjustment of the pricing strategy.

**Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by RMB 5.0 million (or 37%) to RMB 8.6 million. The decrease was mainly due to decrease in revenue from the Trading segment and the Processing segment.

Average gross profit margin decreased by 0.9 percentage point to 5.6% due to the decrease in the gross profit margin from all the three business segments.

**Other income and other expenses**

Other income comprises government subsidies, rental and management fee income from Xiamen HQ. Other expenses mainly represented foreign exchange loss. The net income increase was mainly due to the rental and management fee income (RMB 5.4 million).

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 decreased by RMB 0.6 million (or 32%) to RMB 1.3 million due to decrease in salaries after restructuring of the sales department.

**General and administrative expenses**

General and administrative expenses decreased by RMB 3.0 million (or 19%) to RMB 13.0 million. This was mainly due to the RMB 1.8 million decrease in allowance for doubtful debts as a result of settlement of outstanding balance by customers.

**Finance income and expenses**

Finance expenses decreased by RMB 0.7 million (or 16%) to RMB 3.7 million. This was attributable to the decrease in mortgage loan for Xiamen Project after repayment.

Finance income decreased by RMB 0.1 million (or 57%) to RMB 0.1 million was due mainly to the decrease in cash and bank balance.

**Tax expense**

| | Group | | |
|---|---|---|---|
| | **3 months Ended 30/6/2019 Unaudited** | **3 months Ended 30/6/2018 Unaudited** | **Increase/ (Decrease)** |
| | **RMB'000** | **RMB'000** | **%** |
| Current tax[1] | 265 | 497 | (47) |
| Deferred tax[2] | 48 | 18 | (167) |
| Tax expense | 313 | 515 | (39) |

Notes:

[1] Current tax decreased by RMB 0.2 million or 47% was in line with the decrease in profit before taxation in 2Q2019.

[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 2019, non-current assets amounted to RMB 821.3 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 282.7 million, an increase of 7% (or RMB 17.4 million) compared to RMB 265.3 million as at 31 December 2018. The increase was due mainly to the purchase of plant and equipment for purpose of upgrading the Group's electrical system in 6M2019 and this was partially offset by the depreciation expenses.

The prepayment balance as at 30 June 2019 represented the deposit paid for purchase of machinery.

### Current assets

As at 30 June 2019, current assets amounted to RMB 507.4 million, an increase of 4% (or RMB 20.1 million) compared to RMB 487.3 million as at 31 December 2018. This was due largely to an increase in inventories, bank deposits, cash and bank balances which were offset by the decrease in prepayments, trade and other receivables,

Inventories increased by RMB 38.1 million (or 54%) to RMB 108.3 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 2018.

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 the supply of 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 increased from RMB 23.7 million to RMB 41.6 million due mainly to the new short-term bank loans obtained in 2Q2019.

### Current liabilities

As at 30 June 2019, total current liabilities were RMB 635.5 million, an increase of 7% (or RMB 39.9 million) compared to RMB 595.6 million as at 31 December 2018. This was mainly attributable to the increase in short-term bank loans, bills payable to banks, and trade payables. The decrease was offset by the decrease in amount due to a director, other payables and accruals.

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

The increase in bills payables to banks and short-term bank loans were due mainly to the utilization of banking facilities in 2Q2019.

The decrease in other payables and accruals was mainly due to the settlement of equipment costs for purpose of upgrading the Group's electrical system.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the repayment of short-term bank loans and bank overdrafts. There is no fixed payment schedule for

the personal loan from Mr. Hong Qing Liang who agreed that the personal loan granted shall be interest free. The decrease in amount due to Mr Hong Qing Liang was due to the repayments made to him.

**Non-current liabilities**

Non-current liabilities comprise deferred tax liabilities. The increase in deferred tax liabilities was due mainly to the provision of withholding tax expense in 6M2019 as explained above under the notes for tax expense.

**CASH FLOW**

**Operating activities**

Net cash flows generated from operating activities in 6M2019 amounted to RMB 33.1 million while net cash flows used in operating activities in 6M2018 amounted to RMB 33.9 million, this was mainly due to the increase in other payables and accruals in 6M2019 as compared to the decrease in other payables and accruals in 6M2018. Net cash flows generated from operating activities in 2Q2019 amounted to RMB 5.9 million compared to RMB 0.7 million in 2Q2018, this was mainly due to the higher decrease in other payables and accruals in 2Q2018.

**Investing activities**

Net cash flows used in investing activities in 6M2019 amounted to RMB 33.7 million compared to RMB 17.0 million in 6M2018, and in 2Q2019 amounted to RMB 31.7 million compared to RMB 13.2 million in 2Q2018, due mainly to the purchase of plant and equipment for improvement of electrical system in 2Q2019 and 6M2019.

**Financing activities**

Net cash flows generated from financing activities in 6M2019 amounted to RMB 18.5 million while net cash flows used in financing activities in 6M2018 amounted to RMB 24.3 million. Net cash flows generated from financing activities in 2Q2019 amounted to RMB 7.1 million while net cash flows used in financing activities in 2Q2018 amounted to RMB 1.0 million. This was due mainly to the new short-term bank loans obtained in 6M2019 and 2Q2019.

**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 2Q2019 and 6M2019 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 9 May 2019.

**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 challenging and competitive environment as the zipper industry in the People's Republic China ("PRC") faces intense competition with razor thin profit margins.

The Group expects the uncertainties from the current trade war tension between the United States and PRC to have a negative impact on the revenue of the Group going forward. Cost pressures arising from rising production and labour costs will also 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 its operating costs and monitor its receivables and collections closely.

**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 and the reason(s) for the decision.**

No dividend declared as the Group is in a loss position.

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

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

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

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

**BY ORDER OF THE BOARD**

Hong Qing Liang
Executive Chairman & CEO

13 August 2019

**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 2019 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
Fuxing China Group Limited

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 13 August 2019