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

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 third quarter and nine months ended 30 September 2019. These figures have not been audited.

	Group			Group		
	3 months Ended 30/9/2019 Unaudited	3 months Ended 30/9/2018 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2019 Unaudited	9 months Ended 30/9/2018 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	172,603	240,141	(28)	543,555	673,767	(19)
Cost of sales	(163,310)	(227,164)	(28)	(513,611)	(635,609)	(19)
Gross profit	9,293	12,977	(28)	29,944	38,158	(22)
Other income and expenses	8,746	11,966	(27)	20,034	14,114	42
Selling and distribution expenses	(1,156)	(2,059)	(44)	(4,248)	(5,445)	(22)
General and administrative expenses	(21,681)	(1,143)	>100	(44,388)	(34,719)	28
Profit/(Loss)from operating activities	(4,798)	21,741	NM	1,342	12,108	(89)
Finance income	318	297	7	610	634	(4)
Finance expense	(3,675)	(4,477)	(18)	(10,631)	(13,265)	(20)
(Loss)/Profit before taxation	(8,155)	17,561	NM	(8,679)	(523)	>100
Income tax expense	(403)	(779)	(48)	(1,815)	(2,020)	(10)
(Loss)/Profit for the period attributable to shareholders	(8,558)	16,782	NM	(10,494)	(2,543)	>100
Statement of Comprehensive Income						
Net (loss)/profit for the period	(8,558)	16,782	NM	(10,494)	(2,543)	>100
Other comprehensive (loss)/ income for the period						
Exchange differences on translating foreign operations	(1,802)	(4,161)	(57)	(2,723)	(4,909)	(45)
Total comprehensive (loss)/income for the period	(10,360)	12,621	NM	(13,217)	(7,452)	77
Net (loss)/profit attributable to:						
Equity holders of the Company	(8588)	16,765	NM	(10,637)	(2,519)	>100
Non-controlling interests	30	17	76	143	(24)	NM
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(10,390)	12,604	NM	(13,360)	(7,428)	80
Non-controlling interests	30	17	70	143	(24)	NM

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

(Written back)/Allowance for doubtful trade receivables	15,103	(5,653)	NM	16,796	1,399	>100
(Written back)/Allowance for doubtful prepayment	(624)	(507)	23	86	3,471	(98)
Amortisation of land use rights	226	226	-	679	679	-
Depreciation of property, plant and equipment	7,730	7,324	6	23,391	22,844	2
Foreign exchange loss/(gain), net	(3,285)	(5,100)	(36)	(3,258)	(5,730)	(43)
Salaries and bonuses	13,750	18,044	(24)	45,092	52,086	(13)

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	
	30/9/2019 Unaudited	31/12/2018 Audited	30/9/2019 Unaudited	31/12/2018 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	275,145	265,324	-	-
Investment properties	510,500	510,500	-	-
Land use rights	27,159	27,838	-	-
Prepayments for machinery purchase	661	-	-	-
Investment in subsidiaries	-	-	344,853	344,853
Total non-current assets	813,465	803,662	344,853	344,853
Current assets				
Inventories	81,369	70,190	-	-
Trade and other receivables	224,648	268,694	2	2
Prepayments	79,263	84,642	-	-
Amount due from subsidiaries (non-trade)	-	-	382,459	380,958
Fixed deposits	68,500	40,000	-	-
Cash and bank balances	56,924	23,748	923	240
Total current assets	510,704	487,274	383,384	381,200
Total assets	1,324,169	1,290,936	728,237	721,053
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	6,110	4,991	-	-
Bills payable to banks	146,767	84,000	-	-
Other payables & accruals	186,146	224,680	1,660	1,870
Amount due to a director (non-trade)	36,087	56,678	1,625	680
Short-term bank loans	262,495	221,400	-	-
Income tax payable	4,198	3,811	-	-
Total current liabilities	641,803	595,560	3,285	2,550
Non-current liabilities				
Deferred tax liabilities	31,761	31,555	-	-
Total non-current liability	31,761	31,555	-	-
Total liabilities	673,564	627,115	3,285	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	(11,370)	(8,648)	-	-
Accumulated losses	(92,177)	(81,540)	(80,787)	(82,236)
Attributable to equity holders of the Company	650,329	663,688	724,952	723,503
Non-controlling interests	276	133	-	-
Total equity	650,605	663,821	724,952	723,503
Total equity and liabilities	1,324,169	1,290,936	728,237	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 September 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]	102,000	-	64,000	-
- China Construction Bank[2]	20,000	-	20,000	-
- Bank of China (Hong Kong)[4]	24,767	-	-	-
Short-term bank loans				
- China CITIC Bank[1]	102,500	-	112,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch[3]	75,000	-	7,900	-
- Bank of China (Hong Kong)[4]	10,995	-	-	-
- China Construction Bank Dongqu Branch[5]	55,000	-	82,500	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch [6]	19,000	-	19,000	-

Notes:

[1] The bills payable of RMB 102.0 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 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 75.0 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 24.8 million, and the short-term loan of RMB 11.0 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 30/9/2019 Unaudited RMB'000	3 months Ended 30/9/2018 Unaudited RMB'000	9 months Ended 30/9/2019 Unaudited RMB'000	9 months Ended 30/9/2018 Unaudited RMB'000
OPERATING ACTIVITIES				
(Loss)/ Profit before taxation	**(8,154)**	**17,560**	**(8,679)**	**(523)**
Adjustments for:				
Depreciation of property, plant and equipment	7,730	7,324	23,391	22,844
Amortisation of land use rights	226	226	679	679
(Written back)/Allowance for doubtful trade receivables	15,103	(5,653)	16,796	1,399
(Written back)/Allowance for doubtful prepayment	(624)	(507)	86	3,471
Interest expense	3,680	4,477	10,637	13,265
Interest income	(318)	(297)	(610)	(634)
Foreign currency difference	(2,376)	(2,333)	(2,722)	(2,726)
Total adjustments	23,421	3,237	48,257	38,298
Operating cash flows before changes in working capital	**15,267**	**20,797**	**39,578**	**37,775**
(Increase)/ Decrease in:				
Inventories	26,888	(6,674)	(11,180)	(52,865)
Trade and other receivables	21,340	8,967	28,336	10,688
Prepayments	(46,700)	(32,825)	5,293	28,873
Increase/ (Decrease) in:				
Trade payables	273	(4,246)	1,119	1,533
Other payables & accruals	(20,996)	(6,967)	24,233	(62,090)
Due to directors	28,690	92,310	(20,591)	85,095
Total changes in working capital	9,495	50,565	27,210	11,234
Cash flows generated from operations	**24,762**	**71,362**	**66,788**	**49,009**
Interest expense paid	(3,680)	(4,477)	(10,637)	(13,265)
Interest income received	318	297	610	634
Income tax paid	(82)	(296)	(2,308)	(3,396)
Net cash generated from operating activities	**21,318**	**66,886**	**54,453**	**32,982**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(134)	(19,730)	(33,872)	(36,729)
Net cash used in investing activities	**(134)**	**(19,730)**	**(33,872)**	**(36,729)**
FINANCING ACTIVITIES				
Capital contribution by non-controlling interests	-	-	-	40
Proceeds from short-term borrowings	61,678	88,600	233,108	138,900
Repayments for short-term borrowings	(63,578)	(154,510)	(192,013)	(228,120)
(Increase) / Decrease in fixed deposits pledged to banks	(4,000)	(15,000)	(28,500)	(16,000)
Net cash generated from/(used in)financing activities	**(5,900)**	**(80,910)**	**12,595**	**(105,180)**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	15,284	(33,754)	33,176	(108,927)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	41,640	73,142	23,748	148,315
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	**56,924**	**39,388**	**56,924**	**39,388**

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

	9 months Ended 30/9/2019 Unaudited RMB'000	9 months Ended 30/9/2018 Unaudited RMB'000
Fixed deposits	68,500	47,500
Cash and bank balances	56,924	39,388
	125,424	86,888
Less: Fixed deposits (pledged)	(68,500)	(47,500)
Cash and cash equivalents	56,924	39,388

Fixed deposits amounting to RMB 68,500,000 (2018: RMB 47,500,000) 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	-	-	-	-	-	(4,909)	(2,519)	(24)	(7,452)
Capital contribution by Non-controlling interests	-	-	-	-	-	-	-	40	40
At 30 September 2018	772,574	(6,408)	65,870	39,573	(117,878)	(9,077)	(90,905)	16	653,765
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	-	-	-	-	-	(2,722)	(10,637)	143	(13,216)
At 30 September 2019	772,574	(6,408)	66,015	39,573	(117,878)	(11,370)	(92,177)	276	650,605

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 income for the period	-	-	-	4,980	4,980
At 30 September 2018	772,574	(6,408)	39,573	(75,822)	729,917
At 1 January 2019	772,574	(6,408)	39,573	(82,236)	723,503
Total comprehensive income for the period	-	-	-	1,449	1,449
At 30 September 2019	772,574	(6,408)	39,573	(80,787)	724,952

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 July 2018	772,574	(6,408)	65,870	39,573	(117,878)	(4,916)	(107,670)	(1)	641,144
Total comprehensive income for the period	-	-	-	-	-	(4,161)	16,765	17	12,621
At 30 September 2018	772,574	(6,408)	65,870	39,573	(117,878)	(9,077)	(90,905)	16	653,765
At 1 July 2019	772,574	(6,408)	66,015	39,573	(117,878)	(8,996)	(83,589)	246	661,537
Total comprehensive loss for the period	-	-	-	-	-	(2,374)	(8,588)	30	(10,932)
At 30 September 2019	772,574	(6,408)	66,015	39,573	(117,878)	(11,370)	(92,177)	276	650,605

Company	**Share capital**	**Treasury shares**	**Contributed surplus**	**Accumulated losses**	**Total equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 July 2018	772,574	(6,408)	39,573	(81,700)	724,039
Total comprehensive income for the period	-	-	-	5,878	5,878
At 30 September 2018	772,574	(6,408)	39,573	(75,822)	729,917
At 1 July 2019	772,574	(6,408)	39,573	(83,872)	721,867
Total comprehensive income for the period	-	-	-	3,085	3,085
At 30 September 2019	772,574	(6,408)	39,573	(80,787)	724,952

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 nine months ended 30 September 2019, there were no shares acquired.

Convertibles
For the nine months ended 30 September 2019, there were no outstanding convertibles.

Subsidiary Holdings
For the nine months ended 30 September 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 September 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 September 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 September 2019	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 September 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 nine months ended 30 September 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.

Profit/(Loss) per ordinary share of the group, after deducting any provision for preference dividends (in cents) (in RMB):	Group		Group	
	3 months ended 30/9/2019	**3 months ended 30/9/2018**	**9 months ended 30/9/2019**	**9 months ended 30/9/2018**
(a) Basic and	(49.9)	97.4	(61.8)	(14.6)
(b) On a fully diluted basis	(49.9)	97.4	(61.8)	(14.6)

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

For the nine months ended 30 September 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 September 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	
	30/9/2019	**31/12/2018**	**30/9/2019**	**31/12/2018**
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 30/9/2019 : 17,205,438 (as at 31/12/2018 : 17,205,438 shares)	37.8	38.6	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 30/9/2019 Unaudited	**3 months Ended 30/9/2018 Unaudited**	**Increase/ (Decrease)**	**9 months Ended 30/9/2018 Unaudited**	**9 months Ended 30/9/2018 Unaudited**	**Increase/ (Decrease)**
REVENUE	**RMB'000**	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Zipper	89,824	91,940	(2)	295,736	286,072	3
Trading	70,585	135,454	(48)	205,366	341,558	(40)
Processing	18,470	20,036	(8)	55,941	61,952	(10)
Inter-segment sales	(6,276)	(7,289)	(14)	(13,488)	(15,815)	(15)
Total Group Revenue	172,603	240,141	(28)	543,555	673,767	(19)
COST OF SALES						
Zipper	83,107	83,984	(1)	274,130	260,813	5
Trading	68,693	132,284	(48)	199,656	332,236	(40)
Processing	17,786	18,185	(2)	53,313	58,375	(9)
Inter-segment sales	(6,276)	(7,289)	(14)	(13,488)	(15,815)	(15)
Total Group Cost of Sales	163,310	227,164	(28)	513,611	635,609	(19)
GROSS PROFIT						
Zipper	6,717	7,956	(16)	21,606	25,259	(14)
Trading	1,892	3,170	(40)	5,710	9,322	(38)
Processing	684	1,851	(63)	2,628	3,577	(27)
Total Gross Profit	9,293	12,977	(28)	29,944	38,158	(22)
GROSS PROFIT MARGIN						
	%	**%**	**% pts**	**%**	**%**	**% pts**
Zipper	7.5	8.7	(1.2)	7.3	8.8	(1.5)
Trading	2.7	2.3	0.4	2.8	2.7	0.1
Processing	3.7	9.2	(5.5)	4.7	5.8	(1.1)
Average Gross Profit Margin	5.4	5.4	-	5.5	5.7	(0.2)

9M2019 vs. 9M2018

Revenue

The Group's revenue decreased by RMB 130.2 million (or 19%) to RMB 543.6 million. This was mainly due to the decreases in the sales of the Trading segment (RMB 136.2 million) and the Processing segment (RMB 6.0 million). The decreases were partially offset by the increase in revenue contributions from the Zipper segment (RMB 9.7 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 arising from a stable quality of zippers achieved following the partial automation of the Group's production process.

The decrease in revenue from the Processing segment was attributable to a deteriorating market in the processing industry in the PRC which was adversely affected by the general slowdown in the global economy. This had resulted in the decrease in sales order from customers.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (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 a decrease in sales volume from customers during 9M2019 arising from the upward adjustment of the pricing strategy. The latter had also resulted in cessation of trading activities with certain major customers as disclosed in the Company's announcement on 22 August 2019. The change in pricing strategy had however resulted in higher gross profit on lower sales.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 8.2 million (or 22%) to RMB 29.9 million. The decrease was due mainly to the decreases in revenue from the Trading segment and the Processing segment.

Average gross profit margin decreased by 0.2 percentage point to 5.5% due to the decrease in gross profit margin from the Zipper segment in 9M2019. This was due to higher production costs, e.g., cost of productions.

Other income and expenses

Other income comprises government subsidies, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ") and foreign exchange gain. The net income increased was due mainly to the improvement in the leasing rate of the Xiamen HQ in 9M2019 compared to 9M2018.

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 1.2 million (or 22%) to RMB 4.2 million due to decrease in salaries after restructuring of the sales department.

General and administrative expenses

General and administrative expenses increased by RMB 9.7 million (or 28%) to RMB 44.4 million.

This was mainly due to the increase in allowance for doubtful trade receivables in 9M2019.

The allowance for doubtful trade receivables amounted to RMB 16.8 million arose from longer credit period requests from some customers. Due to the challenging business environment facing some of the Group's customers in the PRC, 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, there has been no collection issue.

The allowance for prepayments to suppliers amounted to RMB 0.1 million was 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 2.6 million to RMB 10.6 million. This was attributable to the decrease in mortgage loan for Xiamen HQ after repayment.

Finance income decreased by RMB 0.1 million (or 4%) to RMB 0.6 million was due mainly to the decrease in cash and bank balance.

Tax expense

	Group		
	6 months Ended 30/9/2019 Unaudited	**6 months Ended 30/9/2018 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	1,609	1,930	(17)
Deferred tax[2]	206	90	>100
Tax expense	1,815	2,020	(10)

Notes :

[1] Current tax decreased by RMB 0.3 million or 17% was in line with the decrease in profit before taxation in 9M2019.

[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%.

3Q2019 vs. 3Q2018 (3 months)

Revenue

The Group's revenue decreased by RMB 67.5 million (or 28%) to RMB 172.6 million. This was mainly due to the decreases in the sales of the Trading segment (RMB 64.9 million), Processing segment (RMB 1.6 million) and Zipper segment (RMB 2.1 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 from both the Zipper and Processing segments were attributable to a deteriorating market in 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 due to a decrease in sales orders from customers during 3Q2019.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 3.7 million (or 28%) to RMB 9.3 million. The decrease was due mainly to the decreases in revenue from the Zipper segment, Trading segment and the Processing segment.

Average gross profit margin remained at 5.4% due to the decrease in gross profit margin from the Zipper segment in 9M2019 but offset by the increase in gross profit margin from the Trading segment. The decrease in gross profit margin in the Zipper segment was due to higher production costs, e.g., cost of productions.

Other income and other expenses

Other income comprises foreign exchange gain, rental and management fee income from Xiamen HQ. The net income increased was due mainly to the increase in foreign exchange gain.

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 books due to depreciation of RMB against HK dollar.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB 0.9 million (or 44%) to RMB 1.2 million due to decrease in salaries after restructuring of the sales department.

General and administrative expenses

General and administrative expenses increased by RMB 20.5 (or more than 100%) to RMB 21.7 million. This was mainly due to the allowance for doubtful trade receivables of RMB 15.1 million in 3Q2019 while there was a written back of allowance for doubtful trade receivables of RMB 5.7 million in 9M2018.

Finance income and expenses

Finance expenses decreased by RMB 0.8 million (or 18%) to RMB 3.7 million. This was attributable to the decrease in mortgage loan for Xiamen HQ after repayment.

Finance income increased by RMB 0.1 million (or 7%) to RMB 0.3 million was due mainly to the increase in interest income from fixed deposits.

Tax expense

	Group		
	3 months Ended 30/9/2019 Unaudited	**3 months Ended 30/9/2018 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	354	719	(51)
Deferred tax[2]	49	60	(18)
Tax expense	403	779	(48)

Notes:

[1] Current tax decreased by RMB 0.4 million or 51% was in line with the decrease in profit before taxation in 3Q2019.

[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 September 2018, non-current assets amounted to RMB 813.5 million comprising property, plant and equipment, investment property, land use rights, and prepayments.

The Group's property, plant and equipment amounted to RMB 275.1 million, an increase of 4% (or RMB 9.8 million) compared to RMB 265.3 million as at 31 December 2018. The increase was due mainly to the purchase of property, plant and equipment in 9M2019 but partially offset by the depreciation expenses.

The prepayment balance as at 30 September 2019 comprised the deposit paid for purchase of machinery.

Current assets

As at 30 September 2019, current assets amounted to RMB 510.7 million, a increase of 5% (or RMB 23.4 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 partially offset by the decrease in prepayments, trade and other receivables.

Inventories increased by RMB 11.2 million (or 16%) to RMB 81.4 million due to a build-up of inventories as the Group normally 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 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 56.9 million were due mainly to the new short-term bank loans obtained.

Current liabilities

As at 30 September 2019, total current liabilities were RMB 641.8 million, a increase of 8% (or RMB 46.2 million) compared to RMB 595.6 million as at 31 December 2018. This was mainly attributable to the increase in short-term bank loans and bills payable to banks.

The increase in trade payables was due mainly to longer repayment period by maximizing the credit period.

The decrease in other payables and accruals was mainly due to the settlement of provision for minimum tax contribution in 9M2019.

The increase in short-term bank loans was mainly due to new bank loans obtained in 3Q2019.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the settlement of provision for minimum tax contribution in 9M2019. 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.

Provision for minimum tax contribution represented the unavoidable costs in operating of business in Xiamen Island. Under FRS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous contracts and pursuant to the contract signed with the PRC government in relation to the acquisition of the parcel of commercial land in Xiamen Island, the Group is required to pay tax (including valued-add tax, sales tax, and income tax) not less than RMB 10 million in the first 2 years and RMB 15 million in the coming 5 years following the registration of a subsidiary, Xiamen Fuxing Industrial Co. Ltd., in the PRC to hold the said land use right.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The decrease in deferred tax liabilities was due to the provision of withholding tax expense of RMB0.2 million in 9M2019 as explained above under the notes for tax expense.

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 9M2019 amounted to RMB 54.5 million compared to RMB 33.0 million in 9M2018, and in 3Q2019 amounted to RMB 21.3 million compared to RMB 66.9 million in 3Q2018, this was due mainly to the decrease in trade and other receivables in 3Q2019 and 9M2019.

Investing activities

Net cash flows used in investing activities in 9M2019 amounted to RMB 33.9 million compared to RMB 36.7 million in 9M2018, and in 3Q2019 amounted to RMB 0.1 million compared to RMB 19.7 million in 3Q2018, due mainly to the lower purchase of property, plant and equipment in 9M2019 and 3Q2019 compared to 9M2018 and 3Q2018.

Financing activities

Net cash flows generated from financing activities in 9M2019 amounted to RMB 12.6 million compared to RMB105.2 million used in 9M2018 and in 3Q2019 amounted to RMB 5.9 million outflow compared to RMB 80.9 million outflow in 3Q2018. This was due mainly to the lower repayment of short-term bank loans in 9M2019and 3Q2019 compared to 9M2018 and 3Q2018.

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 3Q2019 and 9M2019 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 13 August 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. In addition, the Group is

considering disposing its Xiamen HQ when opportunities arise to strengthen its financial position.

Update on the disposal of the Xiamen HQ

On 2 October 2019, the Company announced to SGX-ST via SGXNet that the Company intended to dispose of its investment property – Xiamen Headquarter. As of to-date, the Company is awaiting the pre-sales approval from the local authorities. The Company will keep shareholders updated of any material developments and progress.

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 has been 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

12 November 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 third quarter and nine months ended 30 September 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: 12 November 2019