

**FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

**QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2016.****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 Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2016. These figures have not been audited.**

	<b>Group</b>		
	<b>3 months Ended 31/3/2016 Unaudited</b>	<b>3 months Ended 31/3/2015 Unaudited</b>	<b>Increase/ (Decrease)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue</b>	186,562	152,298	22
Cost of sales	(176,103)	(142,049)	24
Gross profit	10,459	10,249	2
Other income and expenses	(656)	729	NM
Selling and distribution expenses	(2,044)	(1,311)	56
General and administrative expenses	(13,514)	(14,276)	(5)
<b>Loss from operating activities</b>	(5,755)	(4,609)	25
Finance income	1,060	529	100
Finance expense	(3,263)	(2,767)	18
<b>Loss before taxation</b>	(7,958)	(6,847)	16
Tax expense	(645)	(117)	451
<b>Net loss for the period attributable to shareholders</b>	(8,603)	(6,964)	24

**Statement of Comprehensive Income**

Net loss attributable to shareholders  
**Other comprehensive (loss)/ income for the period**  
Exchange differences on translating foreign operations  
**Total comprehensive loss for the period attributable to shareholders**

(8,603)	(6,964)	24
576	(427)	NM
(8,027)	(7,391)	9

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

Allowance for doubtful trade receivables  
Amortisation of land use rights  
Amortisation of intangible assets  
Provision for social contribution  
Depreciation of property, plant and equipment  
Foreign exchange (gain) /loss, net  
Salaries and bonuses

3,484	5,226	(33)
242	247	(2)
2	2	-
(123)	1,464	NM
8,845	11,135	(21)
686	(630)	NM
14,278	15,867	(10)

NM: Not Meaningful

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31/3/2016 Unaudited	31/12/2015 Audited	31/3/2016 Unaudited	31/12/2015 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	276,515	285,159	-	-
Investment properties	383,033	376,620	-	-
Land use rights	32,719	32,961	-	-
Intangible assets	3	5	-	-
Prepayments	821	401	-	-
Investment in subsidiaries	-	-	344,853	344,853
	693,091	695,146	344,853	344,853
<b>Current assets</b>				
Inventories	52,206	57,910	-	-
Trade and other receivables	258,495	280,486	2	2
Prepayments	74,477	65,086	-	-
Amount due from subsidiaries (non-trade)	-	-	486,705	488,744
Fixed deposits	36,000	40,750	-	-
Cash and bank balances	387,559	328,639	252	275
	808,737	772,871	486,959	489,021
<b>Total assets</b>	1501,828	1,468,017	831,812	833,874
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	7,608	9,718	-	-
Bills payable to banks	118,268	132,841	-	-
Other payables & accruals	237,222	225,861	1,058	1,421
Amount due to directors (non-trade)	15,258	7,016	7,035	6,720
Amount due to related companies (non-trade)	-	-	-	-
Short-term bank loans	331,999	293,188	-	-
Bank overdrafts	18,594	18,567	-	-
Income tax payable	4,552	4,305	-	-
<b>Total current liabilities</b>	733,501	691,496	8,093	8,141
<b>Non-current liabilities</b>				
Deferred tax liabilities	60,864	61,031	-	-
	60,864	61,031	-	-
<b>Total liabilities</b>	794,365	752,527	8,093	7,180
<b>Equity attributable to equity holders of the Company</b>				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	64,590	64,590	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(3,502)	(4,078)	-	-
Accumulated (losses)/profits	(41,486)	(32,883)	17,980	19,994
<b>Total equity</b>	707,463	715,490	823,719	825,733
<b>Total equity and liabilities</b>	1,501,828	1,468,017	831,812	833,874

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

	As at 31 March 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks				
- China CITIC Bank <sup>1</sup>	54,200	-	73,500	-
- China Construction Bank <sup>2</sup>	20,000	-	35,000	-
- Hang Seng Bank <sup>4</sup>	44,068	-	44,341	-
Short-term bank loans				
- China CITIC Bank <sup>1</sup>	159,000	-	120,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch <sup>3</sup>	9,000	-	9,000	-
- Hang Seng Bank <sup>4</sup>	34,999	-	35,188	-
- China Construction Bank Dongqu Branch <sup>5</sup>	110,000	-	110,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch <sup>6</sup>	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank <sup>4</sup>	18,594	-	18,567	-

**Notes:**

- <sup>1</sup> The bills payable of RMB 54.2 million and short-term bank loan of RMB168.0 million were secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd., and certain land and buildings owned by Jinjiang Jianxin Weaving Co. Ltd., located at Donghaian Development Zone, Shenhui 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.
- <sup>2</sup> 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, Shenhui 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)
- <sup>3</sup> 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.
- <sup>4</sup> The bills payable of RMB 44.1 million, the short-term loan of RMB 35.0 million and the bank overdraft of RMB 18.6 million were secured by a charge over investment property (13<sup>th</sup> floor which is the top floor) owned by Pretty Limited and part of the 12<sup>th</sup> floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, charge over investment property (Unit 13 on 5th Floor, Unit 15 on 16th Floor and Unit 15 on 25th Floor, Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).
- Pretty Limited and Goldplan Corporation Limited are wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).
- <sup>5</sup> 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.
- <sup>6</sup> 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.**

	<b>3 months Ended 31/3/2016 Unaudited RMB'000</b>	<b>3 months Ended 31/3/2015 Unaudited RMB'000</b>
<b>OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(7,958)	(6,847)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	8,845	11,135
Amortisation of land use rights	242	242
Amortisation of intangible assets	2	2
Allowance for doubtful trade receivables	3,484	5,226
Provision for social contribution	(123)	1,464
Interest expense	3,263	2,768
Interest income	(1,060)	(529)
Foreign currency differences	388	(310)
Total adjustments	15,041	19,998
<b>Operating cash flows before changes in working capital</b>	<b>7,083</b>	<b>13,151</b>
<u>(Increase)/ Decrease in:</u>		
Inventories	5,704	(22,466)
Trade and other receivables	21,040	(1,004)
Prepayments	(9,391)	8,339
<u>Increase/ (Decrease) in:</u>		
Trade payables	(2,110)	3,604
Other payables & accruals	(5,621)	(20,191)
Due to directors	8,242	(26,516)
Total changes in working capital	17,864	(58,234)
<b>Cash flows generated from/(used in) operations</b>	<b>24,947</b>	<b>(45,083)</b>
Interest expense paid	(3,263)	(2,768)
Interest income received	1,060	529
Income tax refunded/(paid)	(565)	(560)
<b><u>Net cash generated from/(used in) operating activities</u></b>	<b>22,179</b>	<b>(47,882)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(622)	(3,609)
Construction of investment properties	(6,413)	(3,258)
<b><u>Net cash used in investing activities</u></b>	<b>(7,035)</b>	<b>(6,867)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	49,000	48,300
Repayments for short-term borrowings	(10,000)	-
Decrease/(increase) in fixed deposits pledged to banks	4,750	2,589
<b><u>Net cash generated from financing activities</u></b>	<b>43,750</b>	<b>50,889</b>
<b>NET ( DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>58,894</b>	<b>(3,860)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>310,071</b>	<b>268,557</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>368,965</b>	<b>264,697</b>

## Notes to the combined statement of cash flows

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

	<b>3 months Ended 31/3/2016 RMB'000</b>	<b>3 months Ended 31/3/2015 RMB'000</b>
Fixed deposits	36,000	55,729
Cash and bank balances	387,559	281,864
	423,559	337,593
Less: bank overdraft	(18,694)	(17,167)
fixed deposits (pledged)	(36,000)	(55,729)
<b>Cash and cash equivalents</b>	<b>368,965</b>	<b>264,697</b>

Fixed deposits amounting to RMB 36,000,000 (2015: 55,729,000) were pledged to banks for the Group's bills payable to banks, short-term loans and bank overdrafts.

**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.

<u>Group</u>	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Contributed surplus RMB'000	Restructuring reserve <sup>1</sup> RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>At 1 January 2015</b>	772,574	(6,408)	64,359	39,573	(117,878)	2,324	(15,427)	739,117
Total comprehensive loss for the period	-	-	-	-	-	(427)	(6,964)	(7,391)
<b>Closing balance at 31 March 2015</b>	772,574	(6,408)	64,359	39,573	(117,878)	1,897	(22,391)	731,726
<b>At 1 January 2016</b>	772,574	(6,408)	64,590	39,573	(117,878)	(4,078)	(32,883)	715,490
Total comprehensive loss for the period	-	-	-	-	-	576	(8,603)	(8,027)
<b>Closing balance at 31 March 2016</b>	772,574	(6,408)	64,590	39,573	(117,878)	(3,502)	(41,486)	707,463
<b><u>Company</u></b>								
<b>At 1 January 2015</b>	772,574	(6,408)	-	39,573	-	-	15,538	821,277
Total comprehensive loss for the period	-	-	-	-	-	-	(937)	(937)
<b>At 31 March 2015</b>	772,574	(6,408)	-	39,573	-	-	14,601	820,340
<b>At 1 January 2016</b>	772,574	(6,408)	-	39,573	-	-	19,994	825,733
Total comprehensive loss for the period	-	-	-	-	-	-	(2,014)	(2,014)
<b>At 31 March 2016</b>	772,574	(6,408)	-	39,573	-	-	17,980	823,719

**Note:**

- <sup>1</sup> **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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

Share Buy-back

During the first quarter ended 31 March 2016, there were no shares acquired.

Convertibles

For the first quarter ended 31 March 2016, there were no outstanding convertibles.

- 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 immediately preceding year.**

	31 March 2016	31 December 2015
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 31 March 2016.

- 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 2016	277,720
Purchases of shares during the period	-
Total number of shares as at 31 March 2016	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 March 2016.

- 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 2015 have been applied in the preparation of the financial statements for the first quarter ended 31 March 2016.



- 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 and 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.**

Earnings per ordinary share of the group, after deducting any provision for preference dividends (in RMB):	Group	
	3 months Ended 31/3/2016	3 months Ended 31/3/2015
		(Restated)*
(a) Basic and	(0.5)	(0.4)
(b) On a fully diluted basis	(0.5)	(0.4)

*Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 31 March 2016: 17,205,438 ordinary shares (2015: \*17,205,438).*

*\*After the completion of share consolidation on 11 May 2015. The basic and diluted loss per share for the corresponding period has been restated on the basis of the Company's share consolidation.*

*For the quarter ended 31 March 2015 and 2016, the basic and diluted earnings per share of the Group are the same as there were no potential diluting ordinary shares outstanding as at 31 March 2015 and 2016.*

- 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	31/3/2016	31/12/2015	31/3/2016	31/12/2015
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 31/3/2016 : 17,205,438 (as at 31/12/2015 : 17,205,438 shares)	41.1	41.6	47.9	47.9

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		
	3 months Ended 31/3/2016 Unaudited	3 months Ended 31/3/2015 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%
Zipper Chain <sup>(1)</sup>	57,265	61,268	(7)
Zipper Slider <sup>(1)</sup>	21,291	21,146	1
Trading	98,327	59,195	66
Processing	12,160	14,007	(13)
Inter-segment sales	(2,481)	(3,318)	(25)
Total Group Revenue	186,562	152,298	23

#### COST OF SALES

Zipper Chain <sup>(1)</sup>	51,593	54,255	(5)
Zipper Slider <sup>(1)</sup>	18,988	19,092	(1)
Trading	95,986	57,755	66
Processing	12,017	14,264	(16)
Inter-segment sales	(2,481)	(3,318)	(25)
Total Group Cost of Sales	176,103	142,048	24

#### GROSS PROFIT

Zipper Chain <sup>(1)</sup>	5,672	7,013	(19)
Zipper Slider <sup>(1)</sup>	2,303	2,054	12
Trading	2,341	1,440	63
Processing	143	(257)	NM
Total Gross Profit	10,459	10,250	2

#### GROSS PROFIT MARGIN

	%	%	% pts
Zipper Chain	9.9	11.4	(1.5)
Zipper Slider	10.8	9.7	1.1
Trading	2.4	2.4	-
Processing	1.2	(1.8)	NM
Average Gross Profit Margin	5.6	6.7	(1.1)
Zipper Segment- Gross Profit Margin	10.2	11.0	(0.8)

NM: Not Meaningful

#### Note:

- (1) The Zipper Chain segment and the Zipper Slider are sub-segments of the Zipper segment. Both the sub-segments are considered as one segment. Hence, the amount in the table is net of inter-sub-segment sales.

## **1Q2016 vs. 1Q2015**

### **Revenue**

The Group's revenue increased by RMB 34.3 million (or 23%) to RMB 186.6 million. The increase in revenue was due mainly to the increase in sales of the Trading segment (RMB 39.1 million) and the Zipper Sliders segment (RMB 0.1 million). The increase was partially offset by the decrease in revenue contributions from the Zipper Chain segment (RMB 4.0 million), and the Processing segment (RMB 1.8 million).

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

The decrease in revenue from the Zippers segment and the Processing segment 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 Group's trading segment relates to the sourcing and buying of certain raw materials in accordance to customers' requirements. The profit margin and all purchases were based on confirmed sales, i.e. the Group does not hold any inventories. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The increase in revenue from the Trading segment was due to an increase in sales orders from customers during 1Q2016.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit increased by RMB 0.2 million (or 2%) to RMB 10.5 million. The increase in gross profit was due mainly to the increase in revenue from the Trading segment.

Average gross profit margin decreased by 1.1 percentage points to 5.6% due to the decrease in gross profit margin from the Zipper Chain segment in 1Q2016 arising from the lower selling prices and higher production costs, e.g., increase in wages and factory overheads.

### **Other income and other expenses**

Other income comprises rental income. Other expenses comprises net foreign exchange loss. The net expenses increase in foreign exchange loss arises from the appreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances owing from subsidiaries in the Company's book due to appreciation of RMB against HK dollar.

### **Selling and distribution expenses**

Selling and distribution expenses increased by RMB 0.7 million (or 56%) to RMB 2.0 million. The increase was due mainly to the new promotional activities.

### **General and administrative expenses**

General and administrative expenses decreased by RMB 0.8 million (or 5%) to RMB 13.5 million. This was mainly due to the decrease in allowance for doubtful trade receivables.

### **Finance income and expenses**

Finance expenses increased by RMB 0.5 million (or 18%) to RMB 3.3 million. This was attributable to the increase in short-term bank loan and bill transactions with banks. Finance income increased by RMB 0.5 million (or 100%) to RMB 1.1 million. This was attributable to the increase in bank balances.

### Income tax expense

	Group		
	3 months Ended 31/3/2016 Unaudited	3 months Ended 31/3/2015 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	812	84	867
Deferred tax <sup>2</sup>	(167)	33	NM
Income tax expense	645	117	451

NM: Not Meaningful

### Notes

<sup>1</sup> Current tax increased by RMB 0.8 million or 867% due to an increase in taxable profit before taxation in 1Q2016.

<sup>2</sup> On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which states that distribution of dividends from profits accumulated from 1 January 2008 onwards shall be subject to withholding tax on distribution to foreign investors. Accordingly, the Group has provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008. As Jade Star (the PRC's subsidiaries' immediate holding Company) was incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

## FINANCIAL POSITION

### Non-current assets

As at 31 March 2016, non-current assets amounted to RMB 693.1 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 276.5 million, a decrease of 3% (or RMB 8.6 million) compared to RMB285.1 million as at 31 December 2015. The decrease was due mainly to depreciation expenses but partially offset by purchase of properties, plant and equipment during the period.

The increases in investment properties were due to the recognition of the construction cost of Xiamen headquarter project in 1Q2016.

The decreases in intangible assets were due to the amortization expenses.

The prepayment balance as at 31 March 2016 represented the deposits paid for purchases of machinery.

### Current assets

As at 31 March 2016, current assets amounted to RMB 808.7 million. Current assets increased by RMB 35.9 million (or 5%) compared to RMB 772.9 million as at 31 December 2015. This was largely due to an increase in cash and bank balances after obtained new short-term bank loans.

Inventory decreased by RMB 5.7 million or 10% as a result of the decrease in raw materials price.

The increase in prepayments to suppliers was due mainly to the new supply agreement signed

with suppliers after Lunar New Year. For advances to suppliers, the Group will secure signed supply agreements with its various suppliers. The advance payments in the supply agreements are calculated based on certain percentage of the total contract price.

Cash and bank balances increased from RMB 328.6 million to RMB 387.6 million due mainly to new short-term bank loans obtained.

### **Current liabilities**

The increase in current liabilities of RMB 42.0 million or 6% from RMB 691.5 million as at 31 December 2015 to RMB 733.5 million as at 31 March 2016 was due to the increase in short-term bank loans, amount due to directors, other payables and accruals which was partially offset by decrease in trade payables and bills payables to banks.

The decrease in trade payables and bills payables to banks were due to the purchases were offset by the advances payment to suppliers.

The increase in short-term bank loans was due mainly to a new bank loan of RMB49.0 million due to proceeds from new banking facilities in order to maintain a better financial position, please refer to page 4 for further information.

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

Other payables & accruals increased due to the increase in construction costs accrued for Xiamen headquarter.

The increase of amount due to a director was due to funds remitted from Mr Hong Qing Liang for the Group's Xiamen headquarter construction project.

### **Non-current liabilities**

Non-current liabilities comprise deferred tax liabilities. The decrease in deferred tax liabilities was due mainly to the reverse of withholding tax as a result of loss making as explained above under the note for tax expense.

## **CASH FLOW**

### **Operating activities**

Net cash flows generated from operating activities in 1Q2016 amounted to RMB 22.2 million while net cash flows used in operating activities in 1Q2015 amounted to RMB 47.9 million due mainly to the decrease in inventories, trade and other receivables.

### **Investing activities**

Net cash flows used in investing activities in 1Q2016 amounted to RMB7.0 million compared to RMB 6.9 million in 1Q2015, due mainly to the purchase of plant and machineries and construction of Xiamen HQ project in 1Q2016.

### **Financing activities**

Net cash flows generated from financing activities in 1Q2016 and 1Q2015 amounted to RMB 43.8 million and RMB 50.9 million respectively, mainly due to the proceeds from bank loans in 1Q2016 and 1Q2015, please refer to page 4 for further information.

**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 1Q2016 is line with the Company's commentary in paragraph 10 of the results announcement dated 24 February 2016.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

For the quarter ended 31 March 2016, the Group recorded a loss of RMB 8.6 million after tax. The past three months has been a challenging and tough quarter for the Group as it continued to operate under a highly competitive environment as the zipper industry in the PRC faces intense competition with razor thin profit margins

The Group expects the zipper industry to remain highly challenging and competitive. The Group expects the continuation of the slowing economic growth in the PRC, uncertainties for export sales, as well as cost pressures arising from rising production and labour costs to prevail. These factors will still adversely impact on the Group's operating outlook for the next twelve months.

The Group expects its current automation of its plant and machineries to yield some cost savings in its overheads so as to mitigate some of the rising cost pressures. The Group will also step up its promotional activities to increase its sales orders and continue to exercise tight control on the administrative expenses.

The Company had obtained its shareholders' approval at the Special General Meeting held on 28 April 2016 for its wholly-owned subsidiary, Jade Star Group Holdings Limited ("Jade Star") to dispose of the entire equity interest in Jade Star's loss making wholly-owned subsidiary, Qingdao Hong Shi High Technological Co., Ltd to an unrelated party, Mr Cai ChangCheng for a cash consideration of RMB21.0 million. The Group will record a gross gain of approximately RMB8.6 million on disposal which will be included under Other Income for the financial year ending 31 December 2016. Going forward, the Group expects its losses to be mitigated with the disposal of the loss making subsidiary.

Update on Construction progress of the Company's Xiamen Headquarter

As of to-date, the HQ Project is approximately 90% completed. The Group will strive to complete the construction of the building in the coming months. Upon completion of the construction, the Group will lease out part of the office building for rental income.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

**(c) Date payable**

Not Applicable.

**(d) Books closure date**

Not Applicable.

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

Not Applicable.

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

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

**BY ORDER OF THE BOARD**

Hong Qing Liang  
Executive Chairman & CEO

29 April 2016

**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 first quarter ended 31 March 2016 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: 29 April 2016