

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017.**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Consolidated Statement of Comprehensive Income for the First Quarter Ended 31 March 2017. These figures have not been audited.

	Group		
	3 months Ended 31/3/2017 Unaudited	3 months Ended 31/3/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Revenue	223,131	186,562	20
Cost of sales	(210,630)	(176,103)	20
Gross profit	12,501	10,459	20
Other income and expenses	(388)	(656)	(41)
Selling and distribution expenses	(1,773)	(2,044)	(13)
General and administrative expenses	(11,592)	(13,514)	(14)
Loss from operating activities	(1,252)	(5,755)	(78)
Finance income	145	1,060	(86)
Finance expense	(3,600)	(3,263)	10
Loss before taxation	(4,707)	(7,958)	(41)
Tax expense	(932)	(645)	44
Net loss for the period attributable to shareholders	(5,639)	(8,603)	(34)

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

(5,639)	(8,603)	(34)
832	576	44
(4,807)	(8,027)	(40)

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

Allowance for doubtful trade receivables
 Written back of prepayments
 Amortisation of land use rights
 Amortisation of intangible assets
 Depreciation of property, plant and equipment
 Foreign exchange (gain) loss, net
 Salaries and bonuses

4,619	3,540	30
(1,084)	(56)	1,836
226	242	(7)
-	2	-
7,571	8,845	(14)
547	686	(20)
14,235	14,278	-

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	
	31/3/2017 Unaudited	31/12/2016 Audited	31/3/2017 Unaudited	31/12/2016 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	235,743	241,313	-	-
Investment properties	476,162	476,100	-	-
Land use rights	29,422	29,648	-	-
Prepayments	1,229	429	-	-
Investment in subsidiaries	-	-	344,853	344,853
	742,556	747,490	344,853	344,853
Current assets				
Inventories	64,488	57,732	-	-
Trade and other receivables	263,687	271,303	2	2
Prepayments	77,119	73,737	-	-
Amount due from subsidiaries (non-trade)	-	-	396,361	399,869
Fixed deposits	34,850	39,900	-	-
Cash and bank balances	224,659	248,798	547	266
	664,803	691,470	396,910	400,137
Total assets	1,407,359	1,438,960	741,763	744,990
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	11,379	8,640	-	-
Bills payable to banks	134,935	144,478	-	-
Other payables & accruals	254,993	253,024	1,123	2,291
Amount due to directors (non-trade)	15,773	7,544	8,305	7,980
Short-term bank loans	311,506	341,278	-	-
Bank overdrafts	19,121	19,571	-	-
Income tax payable	3,944	4,057	-	-
Total current liabilities	751,651	778,592	9,428	10,271
Non-current liabilities				
Deferred tax liabilities	22,589	22,442	-	-
	22,589	22,442	-	-
Total liabilities	774,240	801,034	9,428	10,271
Equity attributable to equity holders of the Company				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	64,857	64,857	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(10,373)	(11,205)	-	-
Accumulated (losses)/ profits	(109,226)	(103,587)	(73,404)	(71,020)
Total equity	633,119	637,926	732,335	734,719
Total equity and liabilities	1,407,359	1,438,960	741,763	744,990

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

Amount repayable in one year or less, or on demand

	As at 31 March 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks				
- China CITIC Bank ¹	49,700	-	54,000	-
- China Construction Bank ²	25,000	-	30,000	-
- Hang Seng Bank ⁴	60,234	-	60,478	-
Short-term bank loans				
- China CITIC Bank ¹	129,560	-	159,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	9,000	-	9,000	-
- Hang Seng Bank ⁴	43,946	-	44,278	-
- China Construction Bank Dongqu Branch ⁵	110,000	-	110,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch ⁶	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank ⁴	19,121	-	19,571	-

Notes:

- ¹ The bills payable of RMB 49.7 million and short-term bank loan of RMB130.0 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.
- ² The RMB 25 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)
- ³ The short-term bank loan of RMB 9.0 million was secured by certain land and buildings owned by Jinjiang Fookhing Zipper Co. Ltd., located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC, a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), corporate guarantees from a subsidiary - Jinjiang Fuxing Dress Co. Ltd., and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.
- ⁴ The bills payable of RMB 60.2 million, the short-term loan of RMB 43.9 million and the bank overdraft of RMB 19.1 million were secured by a charge over investment property (13th floor which is the highest floor) owned by Pretty Limited and part of the 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, charge over investment property (Unit 13 on 5th Floor, Unit 15 on 16th Floor and Unit 15 on 25th Floor, Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).
- Pretty Limited and Goldplan Corporation Limited are wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).
- ⁵ This loan was secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd., located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, PRC.
- ⁶ This loan was guaranteed by personal guarantees from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party - Mr. Wu Yuan Yang and a corporate guarantee from an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

1(c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months Ended 31/3/2017 Unaudited RMB'000	3 months Ended 31/3/2016 Unaudited RMB'000
OPERATING ACTIVITIES		
Loss before taxation	(4,707)	(7,958)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	7,571	8,845
Amortisation of land use rights	226	242
Amortisation of intangible assets	-	2
Allowance for doubtful trade receivables	4,619	3,540
Allowance for prepayments	(1,084)	(56)
Provision for social contribution	121	(123)
Interest expense	3,600	3,263
Interest income	(306)	(1,060)
Foreign currency differences	500	388
Total adjustments	15,247	15,041
Operating cash flows before changes in working capital	10,540	7,083
<u>(Increase)/ Decrease in:</u>		
Inventories	(6,756)	5,704
Trade and other receivables	3,655	21,040
Prepayments	(2,298)	(9,391)
<u>Increase/ (Decrease) in:</u>		
Trade payables	2,739	(2,110)
Other payables & accruals	(7,695)	(5,621)
Due to directors	8,229	8,242
Total changes in working capital	(2,126)	17,864
Cash flows generated from operations	8,414	24,947
Interest expense paid	(3,600)	(3,263)
Interest income received	306	1,060
Income tax refunded/(paid)	(1,556)	(565)
<u>Net cash generated from operating activities</u>	3,564	22,179
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,801)	(622)
Construction of investment properties	(62)	(6,413)
<u>Net cash used in investing activities</u>	(2,863)	(7,035)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,560	49,000
Repayments for short-term borrowings	(39,000)	(10,000)
Decrease/(increase) in fixed deposits pledged to banks	5,050	4,750
<u>Net cash generated from/(used in) financing activities</u>	(24,390)	43,750
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(23,689)	58,894
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	229,227	310,071
CASH & CASH EQUIVALENTS AT END OF PERIOD	205,538	368,965

Notes to the combined statement of cash flows

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

	3 months Ended 31/3/2017 RMB'000	3 months Ended 31/3/2016 RMB'000
Fixed deposits	34,850	36,000
Cash and bank balances	224,659	387,559
	259,509	423,559
Less: bank overdraft	(19,121)	(18,594)
fixed deposits (pledged)	(34,850)	(36,000)
Cash and cash equivalents	205,538	368,965

Fixed deposits amounting to RMB 34,850,000 (2016: 36,000,000) 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 ¹ RMB'000	Translation reserve RMB'000	Accumulated profits / (losses) RMB'000	Total equity RMB'000
At 1 January 2016	772,574	(6,408)	64,590	39,573	(117,878)	(4,078)	(32,883)	715,490
Total comprehensive loss for the period	-	-	-	-	-	576	(8,603)	(8,027)
Closing balance at 31 March 2016	772,574	(6,408)	64,590	39,573	(117,878)	(3,502)	(41,486)	707,463
At 1 January 2017	772,574	(6,408)	64,857	39,573	(117,878)	(11,205)	(103,587)	637,926
Total comprehensive loss for the period	-	-	-	-	-	832	(5,639)	(4,807)
Closing balance at 31 March 2017	772,574	(6,408)	64,857	39,573	(117,878)	(10,373)	(109,226)	633,119
<u>Company</u>								
At 1 January 2016	772,574	(6,408)	-	39,573	-	-	19,994	825,733
Total comprehensive loss for the period	-	-	-	-	-	-	(2,014)	(2,014)
At 31 March 2016	772,574	(6,408)	-	39,573	-	-	17,980	823,719
At 1 January 2017	772,574	(6,408)	-	39,573	-	-	(71,021)	734,718
Total comprehensive loss for the period	-	-	-	-	-	-	(2,383)	(2,383)
At 31 March 2017	772,574	(6,408)	-	39,573	-	-	(73,404)	732,335

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 first quarter ended 31 March 2017, there were no shares acquired.

Convertibles

For the first quarter ended 31 March 2017, there were no outstanding convertibles.

Subsidiary Holdings

For the first quarter ended 31 March 2017, there were no subsidiary holdings.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	31 March 2017	31 December 2016
Total number of issued shares excluding treasury shares	17,205,438	17,205,438

There were a total of 277,720 treasury shares as at 31 March 2017 and 31 December 2016.

Percentage of treasury shares held against total number of issued shares: 1.61% (excluding treasury shares).

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Treasury shares
Total number of shares as at 1 January 2017	277,720
Purchases of shares during the period	-
Total number of shares as at 31 March 2017	277,720

There were no sales, transfers, cancellation and/or use of treasury shares as at 31 March 2017.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no subsidiary holdings as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2016 have been applied in the preparation of the financial statements for the first quarter ended 31 March 2017.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new 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 31/3/2017	3 months Ended 31/3/2016
(a) Basic and	(0.3)	(0.5)
(b) On a fully diluted basis	(0.3)	(0.5)

Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 31 March 2017: 17,205,438 ordinary shares (2016: 17,205,438).

For the quarter ended 31 March 2017 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 2017 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	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Net asset value per ordinary share based on issued share capital at the end of the period (in RMB): (Number of ordinary shares in issue as at 31/3/2017 : 17,205,438 (as at 31/12/2016 : 17,205,438 shares)	36.8	37.1	42.6	42.7

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	Group		
	3 months Ended 31/3/2017 Unaudited	3 months Ended 31/3/2016 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%
Zipper	86,363	78,556	10
Trading	125,360	98,327	27
Processing	14,039	12,160	15
Inter-segment sales	(2,631)	(2,481)	6
Total Group Revenue	223,131	186,562	20

COST OF SALES

Zipper	76,004	70,581	8
Trading	122,956	95,986	28
Processing	14,301	12,017	19
Inter-segment sales	(2,631)	(2,481)	6
Total Group Cost of Sales	210,630	176,103	20

GROSS PROFIT

Zipper	10,359	7,975	30
Trading	2,404	2,341	3
Processing	(262)	143	NM
Total Gross Profit	12,501	10,459	20

GROSS PROFIT MARGIN

	%	%	% pts
Zipper	12.0	10.2	1.8
Trading	1.9	2.4	(0.5)
Processing	(1.9)	1.2	(3.1)
Average Gross Profit Margin	5.6	5.6	-

Notes:

NM: Not Meaningful

Zipper segment comprises Zipper Chains and Zipper Sliders. Management has decided to combine these sub-segments into Zipper segment for better explanation of its performance collectively.

1Q2017 vs. 1Q2016

Revenue

The Group's revenue increased by RMB 36.6 million (or 20%) to RMB 223.1 million. The increase in revenue was due mainly to the increase in sales across all segments.

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

The increases in revenue of both the Zipper segment and the Processing segment were mainly due to the increase in sales volume due to better quality achieved following the partial automation of the Group's plant and machinery in the production processes in the Zipper segment and Processing segment.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance to customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The increase in revenue from the Trading segment was due to an increase in sales orders from customers during 1Q2017 as a result of effective pricing strategy.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 2.0 million (or 20%) to RMB 12.5 million. The increase in gross profit was due mainly to the increase in revenue from the Zipper segment.

Average gross profit margin remained at 5.6% due to the increase in gross profit margin from the Zipper segment in 1Q2017 arising from lower production costs, such as, decrease in factory overhead after partial automation of plant and machinery. The increase was offset by the gross loss in the Processing segment due to the increase in depreciation charges after replacement of plant and machinery at the end of FY 2016.

Other income and other expenses

Other income comprises government subsidies. Other expenses comprise net foreign exchange loss. The net expenses increase in 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 0.2 million (or 13%) to RMB 1.8 million as a result of decrease in staff costs due to a leaner sales force

General and administrative expenses

General and administrative expenses decreased by RMB 1.9 million (or 14%) to RMB 11.6 million. This was mainly due to the written back of prepayments following receipt of raw materials orders.

The allowance for doubtful trade receivables increased by RMB 1.1 million to RMB 4.6 million as a result of longer credit period request from some customers. Due to the economy slowdown in the PRC, the Group's customers had requested for longer credit terms. The Group had obliged to its customers' request for longer credit terms in order to retain the 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 the cases of long outstanding debts, the sale representatives would collect the outstanding balances from them in person. So far, there are no cases of default on payments from these customers.

Finance income and expenses

Finance expenses increased by RMB 0.3 million (or 10%) to RMB 3.6 million. This was attributable to the increase in short-term bank loan and bill transactions with banks. Finance income decreased by RMB 0.9 million (or 86%) to RMB 0.1 million. This was attributable to the decrease in bank balances.

Income tax expense

	Group		
	3 months Ended 31/3/2017 Unaudited	3 months Ended 31/3/2016 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	785	812	(3)
Deferred tax ²	147	(167)	NM
Income tax expense	932	645	44

NM: Not Meaningful

Notes

¹ Current tax decreased by RMB 0.3 million or 3% due to a decrease in taxable profit before taxation in 1Q2017.

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 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 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 2017, non-current assets amounted to RMB 742.6 million comprising property, plant and equipment, investment property, land use rights, and prepayments.

The Group's property, plant and equipment amounted to RMB 235.7 million, a decrease of 2% (or RMB 5.6 million) compared to RMB241.3 million as at 31 December 2016. 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 costs of the Group's Xiamen headquarters project ("HQ Project") in 1Q2017.

The prepayment balance as at 31 March 2017 represented the deposits paid for purchases of machinery.

Current assets

As at 31 March 2017, current assets amounted to RMB 664.8 million. Current assets decreased by RMB 26.7 million (or 4%) compared to RMB 691.5 million as at 31 December 2016. This was largely due to a decrease in cash and bank balances after repayment of short-term bank loans.

Inventory increased by RMB 6.8 million (or 12%) to RMB 64.5 million due to a build-up of inventories as the Group held a 3-month raw materials production requirement for the purpose of production efficiency compared to a 2-month raw materials production requirement as at 31 December 2016.

The increase in prepayments to suppliers was due mainly to the increase in advances made to certain suppliers as result of increase in production requirement.

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 Company 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 Company's warehouse.

Cash and bank balances decreased from RMB 248.8 million to RMB 224.7 million due mainly to repayment of short-term bank loans.

Current liabilities

The decrease in current liabilities of RMB 26.9 million or 3% from RMB 778.6 million as at 31 December 2016 to RMB 751.7 million as at 31 March 2017 was due to the decrease in short-term bank loans, and bills payables to banks which was partially offset by decrease in trade payables, 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 decrease in short-term bank loans was due mainly to repayment of bank loans in 1Q2017.

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

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the Group's Xiamen HQ Project. The construction costs were paid by Mr Hong from his personal bank account in Hong Kong first and reimbursed by the Company. This arrangement was undertaken as the local government of Xiamen Island will impose an interest tax on all monies transferred from other locations within the PRC. Remittances from Hong Kong and foreign countries are exempted from such tax.

Non-current liabilities

Non-current liabilities comprise deferred tax liabilities. The increase in deferred tax liabilities was due to the RMB147,000 deferred tax expense accrued for 1Q2017 as explained above under the notes for tax expense

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 1Q2017 amounted to RMB 3.6 million compared to RMB 22.2 million in 1Q2016 was due mainly to the increase in inventories in

1Q2017 and a smaller decrease in trade and other receivables in 1Q2017 compared to 1Q2016.

Investing activities

Net cash flows used in investing activities in 1Q2017 amounted to RMB2.9 million compared to RMB 7.0 million in 1Q2016. This was due mainly to the lower construction costs of Xiamen HQ project in 1Q2017 compared to 1Q2016.

Financing activities

Net cash flows used in financing activities in 1Q2017 amounted to RMB 24.4 million, while net cash flows generated from financing activities in 1Q2016 amounted to RMB 43.8 million. This was due mainly to the repayment of short-term bank loans in 1Q2017.

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 1Q2017 is line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNet on 23 February 2017.

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

The Group continues to operate under a highly competitive environment as the zipper industry in the PRC faces intense competition with razor thin profit margins.

In addition, the slowing down of economic growth in the PRC, uncertainties for export sales, cost pressures arising from rising production costs will affect the Group's operating outlook for the next twelve months.

In view of the challenging business environment, the Group will strive to keep a tight rein over the operating costs and monitor its receivables and collections closely.

Update on construction progress of the HQ Project

As of to-date, construction works of the HQ Project have been completed. The Group is awaiting the government approvals for the legal completion after the conduct of the various inspections. The Group intends to lease out the excess required for rental income.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

Not Applicable.

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

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

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

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

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

3 May 2017

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Directors Pursuant to Rule 705(5) of the Listing Manual of SGX-ST.

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Fuxing China Group Limited which may render these interim financial statements for the first quarter ended 31 March 2017 to be false or misleading in any material aspect.

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

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 3 May 2017