

**FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

**QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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 Consolidated Statement of Comprehensive Income for the First Quarter Ended 31 March 2019. These figures have not been audited.**

	<b>Group</b>		
	<b>3 months Ended 31/3/2019 Unaudited</b>	<b>3 months Ended 31/3/2018 Unaudited</b>	<b>Increase/ (Decrease)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue</b>	218,431	223,437	(2)
Cost of sales	(206,295)	(211,879)	(3)
Gross profit	12,036	11,558	4
Other income and expenses	2,423	(5,283)	NM
Selling and distribution expenses	(1,771)	(1,453)	22
General and administrative expenses	(9,679)	(17,501)	(45)
<b>Profit/(loss) from operating activities</b>	3,009	(12,679)	NM
Finance income	210	146	44
Finance expense	(3,261)	(4,384)	(26)
<b>Loss before taxation</b>	(42)	(16,917)	(100)
Tax expense	(1,099)	(726)	51
<b>Net loss for the period</b>	(1,141)	(17,643)	(94)

**Statement of Comprehensive loss**

Net loss for the period	(1,141)	(17,643)	(94)
<b>Other comprehensive income for the period</b>			
Exchange differences on translating foreign operations	2,011	4,020	(50)
<b>Total comprehensive income/(loss) for the period</b>	870	(13,623)	NM

**Net loss attributable to:**

Equity holders of the Company	(1,209)	(17,558)	(93)
Non-controlling interests	68	(85)	NM

**Total comprehensive income/(loss) attributable to:**

Equity holders of the Company	802	(13,538)	NM
Non-controlling interests	68	(85)	NM

NM: Not Meaningful

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

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

(205)	3,332	NM
148	4,248	(97)
226	226	-
8,247	8,086	2
3,104	5,715	(46)
14,480	15,292	(5)

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	
	31/3/2019 Unaudited	31/12/2018 Audited	31/3/2019 Unaudited	31/12/2018 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	259,092	265,324	-	-
Investment properties	510,500	510,500	-	-
Land use rights	27,612	27,838	-	-
Investment in subsidiaries	-	-	344,853	344,853
	797,204	803,662	344,853	344,853
<b>Current assets</b>				
Inventories	84,894	70,190	-	-
Trade and other receivables	284,665	268,694	2	2
Prepayments	40,071	84,642	-	-
Amount due from subsidiaries (non-trade)	-	-	375,692	380,958
Fixed deposits	57,000	40,000	-	-
Cash and bank balances	60,430	23,748	527	240
	527,060	487,274	376,221	381,200
<b>Total assets</b>	1,324,264	1,290,936	721,074	726,053
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	6,417	4,991	-	-
Bills payable to banks	118,475	84,000	-	-
Other payables & accruals	219,295	224,680	1,332	1,870
Amount due to a director (non-trade)	29,691	56,678	1,025	680
Short-term bank loans	249,845	221,400	-	-
Income tax payable	4,186	3,811	-	-
<b>Total current liabilities</b>	627,909	595,560	2,357	2,550
<b>Non-current liabilities</b>				
Deferred tax liabilities	31,664	31,555	-	-
	31,664	31,555	-	-
<b>Total liabilities</b>	659,573	627,115	2,357	2,550
<b>Equity</b>				
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	(6,637)	(8,648)	-	-
Accumulated losses	(82,749)	(81,540)	(87,022)	(82,236)
<b>Attributable to equity holders of the Company</b>	664,490	663,688	718,717	723,503
Non-controlling interests	201	133	-	-
<b>Total equity</b>	664,691	663,821	718,717	723,503
<b>Total equity and liabilities</b>	1,324,264	1,290,936	721,074	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 31 March 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 <sup>1</sup>	83,000	-	64,000	-
- China Construction Bank <sup>2</sup>	20,000	-	20,000	-
- Bank of China (Hong Kong) <sup>4</sup>	15,475	-	-	-
Short-term bank loans				
- China CITIC Bank <sup>1</sup>	110,000	-	112,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch <sup>3</sup>	36,800	-	7,900	-
- Bank of China (Hong Kong) <sup>4</sup>	15,295	-	-	-
- China Construction Bank Dongqu Branch <sup>5</sup>	68,750	-	82,500	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch <sup>6</sup>	19,000	-	19,000	-

**Notes:**

- <sup>1</sup> The bills payable of RMB 83.0 million and short-term bank loan of RMB110.0 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, 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.
- <sup>2</sup> The RMB 20 million bills payable was secured by bank deposits of Jinjiang Fuxing Dress Co. Ltd., and certain land and buildings owned by Fulong Zipper and Weaving Co., Ltd., located at Donghaian Comprehensive Development Zone, Shenhu Town, Jinjiang City, Fujian Province, PRC., and personal guarantee from related parties - Mr. Hong Qing Liang (Executive Chairman and CEO), and Ms Shi MeiMei (spouse of Mr. Hong Qing Liang)
- <sup>3</sup> The short-term bank loan of RMB 36.8 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 15.5 million, and the short-term loan of RMB 15.3 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).
- <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 31/3/2019 Unaudited RMB'000</b>	<b>3 months Ended 31/3/2018 Unaudited RMB'000</b>
<b>OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(42)	(16,917)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	8,247	8,086
Amortisation of land use rights	226	226
Allowance for/(write back of) doubtful trade receivables	(205)	3,332
Allowance for prepayments	148	4,248
Provision for social security contribution	(652)	355
Interest expense	3,261	4,384
Interest income	(210)	(146)
Foreign currency differences	2,010	2,308
Total adjustments	<b>12,825</b>	<b>22,793</b>
<b>Operating cash flows before changes in working capital</b>	<b>12,783</b>	<b>5,876</b>
<u>(Increase)/ Decrease in:</u>		
Inventories	(14,704)	(49,530)
Trade and other receivables	(14,680)	(2,094)
Prepayments	44,423	58,695
<u>Increase/ (Decrease) in:</u>		
Trade payables	1,426	8,404
Other payables & accruals	29,743	(43,402)
Due to directors	(26,987)	(6,444)
Total changes in working capital	19,221	(34,371)
<b>Cash flows generated from/(used in) operations</b>	<b>32,004</b>	<b>(28,495)</b>
Interest expense paid	(3,261)	(4,384)
Interest income received	210	146
Income tax refunded/(paid)	(1,701)	(1,848)
<b>Net cash generated from/(used in) operating activities</b>	<b>27,252</b>	<b>(34,581)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,015)	(3,814)
Construction of investment properties	-	-
<b>Net cash used in investing activities</b>	<b>(2,015)</b>	<b>(3,814)</b>
<b>FINANCING ACTIVITIES</b>		
Capital contribution by non-controlling interests	-	40
Proceeds from short-term borrowings	69,695	-
Repayments for short-term borrowings	(41,250)	(23,310)
Decrease/(increase) in fixed deposits pledged to banks	(17,000)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>11,445</b>	<b>(23,270)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>36,682</b>	<b>(61,665)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>23,748</b>	<b>148,315</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>60,430</b>	<b>86,650</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 31/3/2019 RMB'000</b>	<b>3 months Ended 31/3/2018 RMB'000</b>
Fixed deposits	57,000	31,500
Cash and bank balances	60,430	103,983
	117,430	135,483
Less: bank overdraft	-	(17,333)
fixed deposits (pledged)	(57,000)	(31,500)
<b>Cash and cash equivalents</b>	<b>60,430</b>	<b>86,650</b>

Fixed deposits amounting to RMB 57,000,000 (2018: 31,500,000) 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	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>At 1 January 2018</b>	772,574	(6,408)	65,870	39,573	(117,878)	(4,168)	(88,386)	-	661,177
Total comprehensive loss for the period	-	-	-	-	-	4,020	(17,558)	(85)	(13,623)
Capital contribution by Non-controlling interests								40	40
<b>Closing balance at 31 March 2018</b>	772,574	(6,408)	65,870	39,573	(117,878)	(148)	(105,944)	(45)	647,594
<b>At 1 January 2019</b>	772,574	(6,408)	66,015	39,573	(117,878)	(8,648)	(81,540)	133	663,821
Total comprehensive loss for the period	-	-	-	-	-	2,011	(1,209)	68	(13,623)
<b>Closing balance at 31 March 2019</b>	772,574	(6,408)	66,015	39,573	(117,878)	(6,637)	(82,749)	201	664,691
<u>Company</u>	Share capital RMB'000	Treasury shares RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total equity RMB'000				
<b>At 1 January 2018</b>	772,574	(6,408)	39,573	(80,802)	724,937				
Total comprehensive loss for the period	-	-	-	(7,906)	(7,906)				
<b>At 31 March 2018</b>	772,574	(6,408)	39,573	(88,708)	717,031				
<b>At 1 January 2019</b>	772,574	(6,408)	39,573	(82,236)	723,503				
Total comprehensive loss for the period	-	-	-	(4,786)	(4,786)				
<b>At 31 March 2019</b>	772,574	(6,408)	39,573	(87,022)	718,717				

**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 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 2019, there were no shares acquired.

Convertibles

For the first quarter ended 31 March 2019, there were no outstanding convertibles.

Subsidiary Holdings

For the first quarter ended 31 March 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 immediately preceding year.**

	31 March 2019	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 31 March 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, 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 31 March 2019	277,720

There were no sales, transfers, cancellation and/or use of treasury shares as at 31 March 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 of the financial statements for the first quarter ended 31 March 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 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/(loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Loss per ordinary share of the group, after deducting any provision for preference dividends (in RMB):	Group	
	3 months Ended 31/3/2019	3 months Ended 31/3/2018
(a) Basic and	(0.1)	(1.0)
(b) On a fully diluted basis	(0.1)	(1.0)

*Note: Loss per share is computed based on weighted average number of shares in issue as at 31 March 2019: 17,205,438 ordinary shares (2018: 17,205,438).*

*For the first quarter ended 31 March 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 31 March 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	
	31/3/2019	31/12/2018	31/3/2019	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 31/3/2019: 17,205,438 (as at 31/12/2018 : 17,205,438 shares)	38.6	38.6	41.8	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		
	3 months Ended 31/3/2019 Unaudited RMB'000	3 months Ended 31/3/2018 Unaudited RMB'000	Increase/ (Decrease) %
<b>REVENUE</b>			
Zipper	128,623	86,697	48
Trading	71,577	119,093	(40)
Processing	20,180	20,197	0
Inter-segment sales	(1,949)	(2,550)	(24)
Total Group Revenue	218,431	223,437	(2)

**COST OF SALES**

Zipper	119,785	78,860	52
Trading	69,547	115,854	(40)
Processing	19,012	19,715	(4)
Inter-segment sales	(1,949)	(2,550)	(24)
Total Group Cost of Sales	206,395	211,879	(3)

**GROSS PROFIT**

Zipper	8,838	7,837	13
Trading	2,030	3,239	(37)
Processing	1,168	482	142
Total Gross Profit	12,036	11,558	4

**GROSS PROFIT MARGIN**

	%	%	% pts
Zipper	6.9	9.0	(2.1)
Trading	2.8	2.7	0.1
Processing	5.8	2.4	3.4
Average Gross Profit Margin	5.5	5.2	0.3

NM: Not Meaningful

## **1Q2019 vs. 1Q2018**

### **Revenue**

The Group's revenue decreased by RMB 5.0 million to RMB 218.4 million. This was mainly due to the decrease in sales of the Trading segment (RMB 47.9 million), and the Processing segment (RMB 0.1 million). The decrease was partially offset by the revenue contributions from the Zipper segment (RMB 41.9 million).

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 the Zipper segment was mainly due to the increase in sales volume due to better quality achieved following the partial automation of the Group's plant and machinery in the production processes.

The Group's Trading segment relates to the sourcing and buying of certain raw materials in accordance to customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during 1Q2019 arising from the upward adjustment of pricing.

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

The Group's gross profit increased by RMB 0.5 million (or 4%) to RMB 12.0 million. The increase in gross profit was due mainly to the increase in revenue from the Zipper segment.

Average gross profit margin increased by 0.3 percentage point to 5.5% due to the increase in gross profit margin from the Processing segment in 1Q2019. This was mainly due to the partial automation of the Group's plant and machinery in the production processes.

### **Other income and expenses**

Other income mainly comprises government subsidies, rental and management fee income from Xiamen HQ. Other expenses mainly represented foreign exchange loss. The net income increase was mainly due to the rental and management fee income (RMB 5.5 million).

The foreign exchange loss arose from the appreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances owing from subsidiaries in the Company's book due to appreciation of RMB against HK dollar.

### **Selling and distribution expenses.**

Selling and distribution expenses increased by RMB 0.3 million (or 22%) to RMB 1.8 million as a result of increase in promotional activities in 1Q2019 from roadshows conducted.

### **General and administrative expenses**

General and administrative expenses decreased by RMB 7.8 million (or 45%) to RMB 9.7 million. This was mainly due to the written back of doubtful trade receivables of RMB 0.2 million in 1Q2019 as a result of settlement of outstanding balance by customers while allowance for doubtful trade receivables amounted to RMB 3.3 million was provided in 1Q2018. In addition, the decrease in the allowance for prepayments of RMB 4.1 million following the receipt of raw materials also reduced the general and administration expenses.

## Finance income and expenses

Finance expenses decreased by RMB 1.1 million (or 26%) to RMB 3.3 million. This was attributable to the decrease in short-term bank loan.

Finance income increased by RMB 0.1 million to RMB 0.2 million was due mainly to the increase in cash and bank balance.

### Income tax expense

	Group		
	3 months Ended 31/3/2019 Unaudited	3 months Ended 31/3/2018 Unaudited	Increase
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	990	714	39
Deferred tax <sup>2</sup>	109	12	808
Income tax expense	1,099	726	51

### Notes

<sup>1</sup> Current tax increased by RMB 0.3 million or 39% due to an increase in taxable profit before taxation in 1Q2019.

<sup>2</sup> 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 2019, non-current assets amounted to RMB 797.2 million comprising property, plant and equipment, investment property, and land use rights.

The Group's property, plant and equipment amounted to RMB 259.1 million, a decrease of 2% (or RMB 6.2 million) compared to RMB 265.3 million as at 31 December 2018. The decrease was due mainly to depreciation expenses but partially offset by purchase of properties, plant and equipment during the period.

### Current assets

As at 31 March 2019, current assets amounted to RMB 527.1 million. Current assets increased by RMB 39.8 million (or 8%) compared to RMB 487.3 million as at 31 December 2018. This was largely due to an increase in cash and bank balances after receipt of proceeds from drawdown of short-term bank loans in 1Q2019.

Inventory increased by RMB 14.7 million (or 21%) to RMB 84.9 million due to a build-up of inventories as the Group held a 3-month raw materials production requirement for the purpose of production efficiency compared to a 2-month raw materials production requirement as at 31 December 2018.

The decrease in prepayments to suppliers was mainly due to the utilization and conversion of the prepayments into raw materials purchase.

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 purchase agreements. After the receipt of the advance payments, the suppliers will take approximately 1 to 2 months to made full delivery of raw materials to the Group's warehouse.

Cash and bank balances increased from RMB 63.7 million to RMB 117.4 million after receipt of proceeds from drawdown of the short-term bank loans in 1Q2019.

### **Current liabilities**

The increase in current liabilities of RMB 32.3 million or 5% from RMB 595.6 million as at 31 December 2018 to RMB 627.9 million as at 31 March 2019 was due to the increase in short-term bank loans, trade payables, bills payables, other payables and accruals to banks which was partially offset by decrease in amount due to directors.

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

The increase in short-term bank loans was due mainly to proceeds from drawdown of short-term bank loans in 1Q2019.

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 mainly to the temporary differences in the fair value of investment property and the provision of withholding tax expense in 1Q2019 as explained above under the notes for tax expense.

## **CASH FLOW**

### **Operating activities**

Net cash flows generated from operating activities in 1Q2019 amounted to RMB 27.3 million, while net cash flows used in operating activities in 1Q2018 amounted to RMB 34.6 million. This was mainly due to the lower decrease in other payables and accruals and lower increase in inventories in 1Q2019 as compared to 1Q2018.

### **Investing activities**

Net cash flows used in investing activities in 1Q2019 amounted to RMB 2.0 million compared to RMB 3.8 million in 1Q2018. This was due mainly to the lower purchase of property, plant and equipment in 1Q2019.

### **Financing activities**

Net cash flows generated from financing activities in 1Q2019 amounted to RMB 11.4 million, while new cash follows used in financing activities in 1Q2018 amounted to RMB 23.3 million.

This was due mainly to the receipt of proceeds from drawdown of the short-term bank loans in 1Q2019.

**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 1Q2019 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNet on 28 February 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 of China ("PRC") faces intense competition with razor thin profit margins.

The Group expects the moderation of economic growth in the PRC, uncertainties for export sales, as well as cost pressures arising from rising production and labour costs to prevail and these 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 stepping up efforts to increase its sales in the Zipper segment through promotional activities and roadshows.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

No

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

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

No

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

**12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend declared as cash needs to be set aside for the Group's operational needs.

- 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

9 May 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 first quarter ended 31 March 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: 9 May 2019