

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR AND FULL YEAR RESULTS****1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group Statement of Comprehensive Income for the half year ended 30 June 2020. These figures have not been audited.

	Group		
	6 months Ended 30/6/2020 Unaudited	6 months Ended 30/6/2019 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Revenue	337,228	370,952	(9)
Cost of sales	(324,206)	(350,301)	(7)
Gross profit	13,022	20,651	(37)
Other income and expenses	11,776	11,288	4
Selling and distribution expenses	(2,226)	(3,092)	(28)
General and administrative expenses	(19,007)	(22,707)	(16)
Profit from operating activities	3,565	6,140	(42)
Finance income	466	292	60
Finance expense	(7,286)	(6,956)	5
Loss before taxation	(3,255)	(524)	521
Income tax expense	(726)	(1,412)	48
Loss for the period attributable to shareholders	(3,981)	(1,936)	106

Statement of Comprehensive Income

Net loss for the period	(3,981)	(1,936)	106
Other comprehensive loss for the period			
Exchange differences on translating foreign operations	(1,827)	(348)	425
Total comprehensive loss for the period	(5,808)	(2,284)	154

Net loss attributable to:

Equity holders of the Company	(3,927)	(2,049)	92
Non-controlling interests	(54)	113	NM

Total comprehensive loss attributable to:

Equity holders of the Company	(5,754)	(2,397)	140
Non-controlling interests	(54)	113	NM

NM: Not Meaningful

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

	Group		
	6 months Ended 30/6/2020 Unaudited RMB'000	6 months Ended 30/6/2019 Unaudited RMB'000	Increase/ (Decrease) %
Allowance for doubtful trade receivables	535	1,692	(68)
(Written back)/Allowance for advances to suppliers	(1,052)	710	NM
Amortisation of land use rights	453	453	-
Depreciation of property, plant and equipment	16,423	15,661	5
Foreign exchange loss/(gain), net	(2,900)	27	NM
Salaries and bonuses	27,285	31,342	(13)

NM: Not Meaningful

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

	Group		Company	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
	Unaudited	Audited	Unaudited	Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	227,461	265,554	-	-
Investment properties	-	472,900	-	-
Land use rights	26,480	26,932	-	-
Prepayment for machinery purchase	3,893	180	-	-
Investment in subsidiaries	-	-	344,853	344,853
Total non-current assets	257,834	765,566	344,853	344,853
Current assets				
Inventories	62,415	42,674	-	-
Properties held for sale	497,017	-	-	-
Trade and other receivables	279,175	255,078	2	2
Advances to suppliers	90,026	70,752	-	-
Amount due from subsidiaries (non-trade)	-	-	333,951	333,288
Fixed deposits	54,000	60,000	-	-
Cash and bank balances	183,852	27,512	274	378
Total current assets	1,166,485	456,016	334,227	333,668
Total assets	1,424,319	1,221,582	679,080	678,521
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	6,951	7,228	-	-
Bills payable to banks	128,363	127,951	-	-
Other payables & accruals	412,276	146,123	2,463	2,179
Amount due to a director (non-trade)	2,515	19,202	2,480	1,910
Short-term bank loans	230,320	271,186	-	-
Income tax payable	4,571	4,531	-	-
Total current liabilities	784,996	576,221	4,943	4,089
Non-current liabilities				
Deferred tax liabilities	22,419	22,469	-	-
Total non-current liability	22,419	22,469	-	-
Total liabilities	807,415	598,690	4,943	4,089
Equity				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	66,456	66,456	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(12,545)	(10,718)	-	-
Accumulated losses	(125,026)	(121,099)	(131,602)	(131,307)
Attributable to equity holders of the Company	616,746	622,500	674,137	674,432
Non-controlling interests	158	392	-	-
Total equity	616,904	622,892	674,137	674,432
Total equity and liabilities	1,424,319	1,221,582	679,080	678,521

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

Amount repayable in one year or less, or on demand

	As at 30 June 2020		As at 31 December 2019	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable to banks				
- China CITIC Bank ¹	79,000	-	83,000	-
- China Construction Bank ²	25,000	-	30,000	-
- Bank of China (Hong Kong) ⁴	24,363	-	14,951	-
Short-term bank loans				
- China CITIC Bank ¹	102,500	-	102,500	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	75,000	-	75,000	-
- Bank of China (Hong Kong) ⁴	21,820	-	19,686	-
- China Construction Bank Dongqu Branch ⁵	-	-	55,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch ⁶	19,000	-	19,000	-
- Bank of Communications – Jinjiang Branch ⁷	12,000	-	-	-

Notes:

- ¹ The bills payable of RMB79.0 million and short-term bank loan of RMB102.5 million were secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd., and certain land and buildings owned by Jinjiang Jianxin Weaving Co. Ltd., located at Donghaian Development Zone, 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 guarantee from a subsidiary, Jinjiang Fuxing Dress Co. Ltd. and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd..
- ² The RMB25 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, the 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 RMB75 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 RMB24.4 million, and the short-term loan of RMB21.8 million were secured by a charge over investment property (Unit 13 on 5th Floor, Unit 15 on 16th Floor and Unit 15 on 25th Floor, Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).
- Goldplan Corporation Limited is wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).
- ⁵ This loan was secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd., located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, the PRC. The loan was fully settled in 6M2020.
- ⁶ This loan was guaranteed by personal guarantee 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..
- ⁷ This loan was guaranteed by several properties owned by - Mr. Hong Qing Liang (Executive Chairman and CEO), Mr Hong Peng You (Executive director) and the Group's management staff (Mr Hong Shui Ku, Mr Hong Qing Ke and Mr Wu Jin Fan).

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

	6 months Ended 30/6/2020 Unaudited RMB'000	6 months Ended 30/6/2019 Unaudited RMB'000
OPERATING ACTIVITIES		
Loss before taxation	(3,255)	(524)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	16,423	15,661
Amortisation of land use rights	453	453
Allowance for doubtful trade receivables	535	1,692
(Written back)/Allowance for advances to suppliers	(1,052)	710
Provision for social contribution	117	(1,304)
Interest expense	7,287	6,956
Interest income	(466)	(292)
Foreign currency difference	(1,341)	(348)
Total adjustments	21,956	23,528
Operating cash flows before changes in working capital	18,702	23,004
(Increase)/ Decrease in:		
Inventories	(20,290)	(38,068)
Trade and other receivables	(24,633)	6,997
Prepayments	(18,222)	51,993
<u>Increase/ (Decrease) in:</u>		
Trade payables	(277)	847
Other payables & accruals	(32,799)	46,534
Due to directors	(16,686)	(49,281)
Total changes in working capital	(112,907)	19,022
Cash flows generated from / (used in) operations	(94,205)	42,026
Income tax paid	(736)	(2,226)
Net cash generated from / (used in) operating activities	(94,941)	39,800
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,612)	(33,738)
Deposits received from intended disposal of investment properties	299,247	-
Interest income received	466	292
Net cash generated from / (used in) investing activities	294,101	(33,446)
FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(180)	-
Proceeds from short-term borrowings	161,366	171,430
Repayments for short-term borrowings	(210,006)	(135,392)
(Increase) / Decrease in fixed deposits pledged to banks	6,000	(24,500)
Net cash generated from / (used in) financing activities	(42,820)	11,538
NET INCREASE IN CASH & CASH EQUIVALENTS	156,340	17,892
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,512	23,748
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	183,852	41,640

Note A:

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

	6 months Ended 30/6/2020 Unaudited RMB'000	6 months Ended 30/6/2019 Unaudited RMB'000
Fixed deposits	54,000	64,500
Cash and bank balances	183,852	41,640
	<u>237,852</u>	<u>106,140</u>
Less: Fixed deposits (pledged)	(54,000)	(64,500)
Cash and cash equivalents	<u>183,852</u>	<u>41,640</u>

Fixed deposits amounting to RMB54,000,000 (2019: 64,500,000) were pledged to banks for the Group's bills payable to banks, short-term bank 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.

Group	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve¹	Translation reserve	Equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	772,574	(6,408)	66,015	39,573	(117,878)	(8,648)	(81,540)	133	663,821
Total comprehensive loss for the period	-	-	-	-	-	(348)	(2,049)	113	(2,284)
At 30 June 2019	772,574	(6,408)	66,015	39,573	(117,878)	(8,996)	(83,589)	246	661,537
At 1 January 2020	772,574	(6,408)	66,456	39,573	(117,878)	(10,718)	(121,099)	392	622,892
Total comprehensive loss for the period	-	-	-	-	-	(1,827)	(3,927)	(54)	(5,808)
Dividend paid to non-controlling interests								(180)	(180)
At 30 June 2020	772,574	(6,408)	66,456	39,573	(117,878)	(12,545)	(125,026)	158	616,904
Company	Share capital	Treasury shares	Contributed surplus	Accumulated losses	Total equity				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
At 1 January 2019	772,574	(6,408)	39,573	(82,236)	723,503				
Total comprehensive loss for the period	-	-	-	(1,636)	(1,636)				
At 30 June 2019	772,574	(6,408)	39,573	(83,872)	721,867				
At 1 January 2020	772,574	(6,408)	39,573	(131,307)	674,432				
Total comprehensive loss for the period	-	-	-	(295)	(295)				
At 30 June 2020	772,574	(6,408)	39,573	(131,602)	674,137				

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.

- (1) During the half year ended 30 June 2020, there was no change in the Company's share capital.
- (2) For the half year ended 30 June 2020, there were no shares that may be issued on conversion of all the outstanding convertibles.
- (3) For the half year ended 30 June 2020, there were no subsidiary holdings.
- (4) For the half year ended 30 June 2020, there was a total of 277,720 treasury shares.

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

	As at 30 June 2020	As at 31 December 2019
Total number of issued shares excluding treasury shares	17,205,438	17,205,438

There were a total of 277,720 treasury shares as at 30 June 2020 and 31 December 2019.

Percentage of treasury shares held against total number of issued shares 1.61%.

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 2020	277,720
Purchases of shares during the period	-
Total number of shares as at 30 June 2020	277,720

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2020.

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 by the auditors

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

Not applicable.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (a) **Updates on the efforts taken to resolve each outstanding audit issue.**
 (b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable. The latest audited financial statements of the Company for the financial year ended 31 December 2019 did not have any adverse opinion, qualified opinion or disclaimer of opinion.

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 2019 have been applied in the preparation for the financial statements for the half year ended 30 June 2020.

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

The adoption of the new/revised FRS and INT FRS does not have any material financial impact on the Group's and Company's financial statements for the current period.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Loss per ordinary share of the group, after deducting any provision for preference dividends (in cents) (in RMB):	Group	
	6 months ended 30/6/2020	6 months ended 30/6/2019
(a) Basic and	(22.8)	(11.9)
(b) On a fully diluted basis	(22.8)	(11.9)

Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 30 June 2020: 17,205,438 ordinary shares (2019: 17,205,438).

For the half year ended 30 June 2020 and 2019, the basic and diluted earnings per share of the Group are the same as there were no potential diluting ordinary shares outstanding as at 30 June 2020 and 2019.

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

	Group		Company	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Net asset value per ordinary share based on issued share capital at the end of the period (in RMB): (Number of ordinary shares in issue as at 30/6/2020 : 17,205,438 (as at 31/12/2019 : 17,205,438 shares)	35.9	36.2	39.2	39.2

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		
	6 months Ended 30/6/2020 Unaudited RMB'000	6 months Ended 30/6/2019 Unaudited RMB'000	Increase/ (Decrease) %
REVENUE			
Zipper	181,772	205,912	(12)
Trading	132,982	134,781	(1)
Processing	29,780	37,471	(21)
Inter-segment sales	(7,306)	(7,212)	1
Total Group Revenue	337,228	370,952	(9)

COST OF SALES

Zipper	170,779	191,023	(11)
Trading	130,103	130,963	(1)
Processing	30,630	35,527	(14)
Inter-segment sales	(7,306)	(7,212)	1
Total Group Cost of Sales	324,206	350,301	(7)

GROSS PROFIT

Zipper	10,993	14,889	(26)
Trading	2,879	3,818	(25)
Processing	(850)	1,944	NM
Total Gross Profit	13,022	20,651	(37)

GROSS PROFIT MARGIN

	%	%	% pts
Zipper	6.0	7.2	(1.2)
Trading	2.2	2.8	(0.6)
Processing	(2.9)	5.2	(8.1)
Average Gross Profit Margin	3.9	5.6	(1.7)

6M2020 vs. 6M2019

Revenue

The Group's revenue decreased by RMB33.7 million (or 9%) to RMB337.2 million. This was mainly due to the decrease in the sales of the Zipper segment (RMB24.2 million), the Trading segment (RMB1.8 million), and the Processing segment (RMB7.7 million).

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

The decrease in revenue in the Zipper segment and the Processing segment were mainly due to the COVID-19 outbreak which adversely affected the global economy. This had resulted in the decrease of sales order from customers.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance to customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The decrease in revenue from the Trading segment was mainly due to the decrease in sales volume from customers during 6M2020.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB7.6 million (or 37%) to RMB13.0 million. The decrease were due to the decrease in gross profit from the Zipper segment, Trading segment and Processing segment. Processing segment suffered a gross loss as the sale was not able to cover its fixed production overheads.

Average gross profit margin decreased by 1.7% to 3.9% mainly due to the decrease in gross profit margin from the Zipper segment, arising from the decrease in the selling prices. As a result of COVID-19 outbreak, some of the Group's customers in the PRC were faced with challenging business environment and had requested for lower prices. The Group had obliged to these customers' requests in order to retain these customers and had some production orders.

Other income and expenses

Other income comprises government subsidies, foreign exchange gain, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ"). The net income increase was mainly due to the foreign exchange gain in 6M2020 which amounted to RMB2.9 million compared to a foreign exchange loss of RMB0.03 million in 6M2019.

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

Selling and distribution expenses

Selling and distribution expenses decreased by RMB0.9 million (or 28%) to RMB2.2 million due to decrease in salaries after restructuring of the sales department and decrease in advertising activities since the COVID-19 outbreak.

General and administrative expenses

General and administrative expenses decreased by RMB3.7 million (or 16%) to RMB19.0 million. This was mainly due to the decreases in allowance for doubtful debts, written back of allowance for advances to suppliers.

Allowance for doubtful trade receivables amounted to RMB0.5 million in 6M2020 compared to RMB1.7 million in 6M2019. The decrease was mainly due to the slowdown of activities and lower sales in March 2020 as a result of the COVID-19 outbreak.

The written back of allowance for advances to suppliers amounted to RMB1.1 million following the receipt of raw materials in 6M2020.

Finance income and expenses

Finance expenses increased by RMB0.3 million to RMB7.1 million. This was attributable to the penalty expense incurred on early repayment of full amount of mortgage loan for Xiamen HQ.

Finance income increased by RMB0.2 million (or 60%) to RMB0.5 million was due mainly to the increase in cash and bank balance.

Tax expense

	Group		
	6 months Ended 30/6/2020 Unaudited	6 months Ended 30/6/2019 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	701	1,255	(44)
Deferred tax ²	25	157	(84)
Tax expense	726	1,412	(49)

Notes:

- ¹ Current tax decreased by RMB0.6 million or 44% was in line with the decrease in profit before taxation in 6M2020.
- ² On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which stated that distribution of dividends from profits accumulated from 1 January 2008, shall be subject to a withholding tax on distribution to foreign investors. Accordingly, the Group had provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding company) is incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

FINANCIAL POSITION

Non-current assets

As at 30 June 2020, non-current assets amounted to RMB257.8 million comprising property, plant and equipment, investment property, land use rights, intangible assets and prepayments.

The Group's property, plant and equipment amounted to RMB227.5 million, a decrease of 14% (or RMB38.1 million) compared to RMB265.6 million as at 31 December 2019. The decrease was mainly due to the reclassification of 24th floor of the office building under property, plant and equipment to properties held for sale as a result of the Company's intention to dispose part of its office building within a year. The 24th floor was originally intended for the Group's own usage, thus the value was classified under "Property, plant and equipment". Upon receiving buyers' interests for the 24th floor, the Group decided to also sell the 24th floor.

All the investment properties were reclassified to properties held for sale under current asset subsequent to the entering into provisional sale and purchase agreements (collectively, "Provisional SPAs") with independent third party purchasers ("Purchasers"), for the sale of part of the Company's office building ("Proposed Disposal of Property"). Please refer to the Company's announcement released on 6 July 2020.

The prepayment balance as at 30 June 2020 represented the deposit paid for purchase of machinery.

Current assets

As at 30 June 2020, current assets amounted to RMB1,166.5 million, an increase of 156% (or RMB710.5 million) compared to RMB456.0 million as at 31 December 2019. This was largely due to an increase in properties held for sale, trade and other receivables, advances to suppliers, cash and bank balances.

Inventories increased by RMB19.7 million (or 46%) to RMB62.4 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 2019.

Properties held for sale represented the proposed disposal of office building in Xiamen Headquarter. On 6 July 2020, the Company had announced to SGX-ST via SGXNet that the Company had entered into Provisional SPAs with the Purchasers to dispose part of the Company's office building for an aggregate consideration of RMB430.3 million. Please refer to the Company's announcement released on 6 July 2020.

The increase in advances to suppliers was mainly due to suppliers required to have a full payment before delivery of raw materials to the Company especially after COVID-19 outbreak where supply of raw materials may not be stable and needs to be secured in advance.

For advances to suppliers, the Group will secure supply agreements with its various suppliers. The prepayments to suppliers were to secure the supply of raw materials at competitive prices for the year, at about 2% to 3% discount of the total contracted value. The Group will make the advance payment upon the signing of the purchase agreements. After the receipt of the advance payments, the suppliers will take approximately 1 to 2 months to make full delivery of the raw materials to the Group's warehouse.

Cash and bank balances increased from RMB27.5 million to RMB183.9 million mainly due to the Company received deposits from the Purchasers who had signed the Provisional SPAs for the intended purchase of the office units.

Current liabilities

As at 30 June 2020, total current liabilities were RMB785.0 million, an increase of 36% (or RMB208.8 million) compared to RMB576.2 million as at 31 December 2019. This was mainly attributable to the increase in bills payable to banks, other payables and accruals. The increase was partially offset by the decrease in short-term bank loans and amount due to a director.

The increase in other payables and accruals was mainly due to the Company received deposits from the Purchasers who had signed the Provisional SPAs for the intended purchase of the office units.

The amount due to a director was due to funds remitted from Mr Hong Qing Liang for the repayment of short-term bank loans and bank overdrafts. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who agreed that the personal loan granted shall be interest free. The decrease in amount due to Mr Hong Qing Liang was due to the repayments made to him in 6M2020.

Non-current liabilities

Non-current liabilities comprised deferred tax liabilities. The increase in deferred tax liabilities was due mainly to the provision of withholding tax expense in 6M2020 as explained above under the notes for tax expense.

CASH FLOW

Operating activities

Net cash flows used in operating activities in 6M2020 amounted to RMB94.9 million while net cash flows generated from operating activities in 6M2019 amounted to RMB39.8 million. This was mainly due to the increase in inventories, advances to suppliers, trade and other receivables, other payables and repayment of amount due to director.

Investing activities

Net cash flows generated from investing activities in 6M2020 amounted to RMB294.1 million while net cash flows used in investing activities in 6M2019 amounted to RMB33.4 million. This was mainly due to the deposits received from the Purchasers for the Proposed Disposal of Property.

Financing activities

Net cash flows used in financing activities in 6M2020 amounted to RMB42.8 million while net cash flows generated from financing activities in 6M2019 amounted to RMB11.5 million. This was mainly due to the higher repayments of short-term bank loans in 6M2020 as compared to 6M2019.

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 6M2020 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX via SGXNET on 28 February 2020.

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

The Group continues to operate under a highly challenging and competitive environment as the zipper industry in the People's Republic China ("PRC") faces intense competition with razor thin profit margins.

The Group expects the uncertainties from the current trade war tension between the United States and PRC and the slowdown of the PRC economy to have negative impacts on the revenue of the Group going forward. Cost pressures arising from rising production and labour costs will also continue to 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.

Update on business impact of COVID-19 outbreak on the Group's Operations in China

After the break from Chinese New Year, the Group experienced some delays in the commencement of full scale production as the workers were staggered to return to work due to concerns over the COVID-19 outbreak. As of now, Management is cautiously optimistic that the Group would still be able to fulfill the customers' orders on time as the Company is now almost back to full staff strength and the production of the Group would not be adversely affected barring unforeseen circumstances. In view of the challenging situation arising from the COVID-19 outbreak, the Group expects the sales to be negatively affected and slower collections from the trade receivables. The Group will continue to monitor the situation closely and update shareholders on any material business impact on the Group's operations.

Update on the Company's Proposed Disposal of Property

On 6 July 2020, the Company announced to SGX-ST via SGXNet that the Company had entered into Provisional SPAs with the Purchasers to dispose part of the Company's office building for an aggregate consideration of RMB430.3 million. The Company will seek approval from its shareholders for the Proposed Disposal of Property at a special general meeting to be convened in due course

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) Record date

Not Applicable.

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

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

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

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

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

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

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

14 August 2020

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 half year ended 30 June 2020 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: 14 August 2020