

**FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

**QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2012.****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group Statement of Comprehensive Income for the second quarter and half year ended 30 June 2012. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2012 Unaudited	3 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2012 Unaudited	6 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Continuing operations</b>						
<b>Revenue</b>	138,188	177,558	(22)	256,188	345,854	(26)
Cost of sales	(125,195)	(126,674)	(1)	(228,213)	(251,106)	(9)
Gross profit	12,993	50,884	(74)	27,975	94,748	(70)
Other income and expenses	1,798	1,045	72	2,117	1,270	67
Selling and distribution expenses	(2,156)	(1,708)	26	(3,893)	(3,197)	22
General and administrative expenses	(22,079)	(13,569)	63	(38,667)	(26,486)	46
<b>(Loss) / Profit from operating activities</b>	(9,444)	36,652	NM	(12,468)	66,335	NM
Finance income	708	536	32	844	962	(12)
Finance expense	(904)	(736)	23	(1,742)	(1,465)	19
<b>(Loss) / Profit before taxation</b>	(9,640)	36,452	NM	(13,366)	65,832	NM
Income tax expense	(1,091)	(13,857)	(92)	(3,419)	(25,577)	(87)
<b>(Loss) / Profit for the period attributable to shareholders</b>	(10,731)	22,595	NM	(16,785)	40,255	NM

**Statement of Comprehensive Income**

(Loss) / Profit attributable to shareholders

**Other comprehensive income for the period**

Exchange differences on translating foreign operations

**Total comprehensive (loss)/income for the period attributable to shareholders**

(10,731)	22,595	NM	(16,785)	40,255	NM
(787)	(322)	144	(770)	(322)	139
(11,518)	22,273	NM	(17,555)	39,933	NM

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

Allowance for doubtful trade receivables	3,594	804	347	7,264	3,703	96
Amortisation of land use rights	326	289	13	557	340	64
Amortisation of intangible assets	4,085	1,996	105	8,086	3,641	122
Depreciation of property, plant and equipment	12,539	6,107	105	21,989	11,482	92
Foreign exchange loss/(gain), net	(1,198)	2,038	NM	(1,134)	2,727	NM
Salaries and bonuses	16,513	14,669	13	29,050	24,844	17

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	
	30/6/2012 Unaudited	31/12/2011 Audited	30/6/2012 Unaudited	31/12/2011 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	358,573	301,169	-	-
Investment property	61,140	60,803	-	-
Land use rights	211,466	46,502	-	-
Intangible assets	283,401	291,487	-	-
Prepayment	-	165,824	-	-
Investment in subsidiaries	-	-	344,853	344,853
	914,580	865,785	344,853	344,853
<b>Current assets</b>				
Inventories	94,323	81,996	-	-
Trade and other receivables	160,294	142,294	-	-
Prepayments	88,175	11,955	2	2
Amount due from subsidiaries (non-trade)	-	-	476,584	481,382
Fixed deposits	66,706	79,257	-	-
Cash and bank balances	67,863	175,903	1,045	1,407
	477,361	491,405	477,631	482,791
<b>Total assets</b>	1,391,941	1,357,190	822,484	827,644
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	33,609	17,554	-	-
Bills payable to banks	35,449	15,369	-	-
Other payables & accruals	63,552	61,960	1,370	1,864
Amount due to director (non-trade)	14,943	5,358	690	1,866
Short-term bank loans	70,891	65,746	-	-
Bank overdrafts	8,531	8,345	-	-
Income tax payable	5,469	7,132	-	-
<b>Total current liabilities</b>	232,444	181,464	2,060	3,730
<b>Non-current liabilities</b>				
Deferred tax liabilities	54,177	52,851	-	-
	54,177	52,851	-	-
<b>Total liabilities</b>	286,621	234,315	2,060	3,730
<b>Equity attributable to equity holders of the Company</b>				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	61,690	61,690	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	(1,938)	(1,168)	-	-
Accumulated profits	357,707	374,492	14,685	18,175
<b>Total equity</b>	1,105,320	1,122,875	820,424	823,914
<b>Total equity and liabilities</b>	1,391,941	1,357,190	822,484	827,644

**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 2012		As at 31 December 2011	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks <sup>1</sup>	15,449	-	15,369	-
Bills payable to banks <sup>2</sup>	20,000	-	-	-
Short-term bank loans		-		-
- Shanghai Rural Commercial Bank <sup>3</sup>	12,000		13,000	
- China CITIC Bank <sup>4</sup>	7,000		-	
- East West Bank <sup>5</sup>	28,613	-	28,456	-
- Industrial and Commercial Bank of China <sup>6</sup>	23,278	-	24,290	-
Bank overdrafts <sup>7</sup>	8,531	-	8,345	-

**Notes:**

<sup>1</sup> RMB 15.4 million is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, bank deposits, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

<sup>2</sup> RMB 20.0 million is secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd.,

<sup>3</sup> RMB 12.0 million is secured by certain buildings owned by Fuxing Textile (Shanghai) Co., Ltd.

<sup>4</sup> RMB 7.0 million is secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd.,

<sup>5</sup> This loan is secured by bank deposits of Fook Hing Group Trading Co., Ltd., and personal guarantee from a related party (Hong Li Hong) and independent third party (Sze Kai Lung) and corporate guarantee by Fuxing China Group Limited.

<sup>6</sup> This loan is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

<sup>7</sup> RMB 3.9 million is secured by bank deposits of Fook Hing Group Trading Co., Ltd., and personal guarantee from a related party (Hong Li Hong) and independent third party (Sze Kai Lung) and corporate guarantee from Fuxing China Group Limited.; while RMB 4.6 million is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

<sup>8</sup> None of the above loans contain any covenant regarding controlling shareholder's interest in Fuxing China Group Limited

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

	3 months Ended 30/6/2012 Unaudited RMB'000	3 months Ended 30/6/2011 Unaudited RMB'000	6 months Ended 30/6/2012 Unaudited RMB'000	6 months Ended 30/6/2011 Unaudited RMB'000
<b>OPERATING ACTIVITIES</b>				
<b>(Loss) / Profit before taxation</b>	<b>(9,640)</b>	<b>36,452</b>	<b>(13,366)</b>	<b>65,832</b>
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	12,539	6,107	21,989	11,482
Amortisation of land use rights	326	289	557	340
Amortisation of intangible assets	4,085	1,996	8,086	3,641
Allowance for doubtful trade receivables	3,594	804	7,264	3,703
Interest expense	904	736	1,742	1,465
Interest income	(708)	(536)	(844)	(962)
Foreign currency loss	(832)	(581)	(816)	(426)
Total adjustments	19,908	8,815	37,978	19,243
<b>Operating cash flows before changes in working capital</b>	<b>10,268</b>	<b>45,267</b>	<b>24,612</b>	<b>85,075</b>
<u>(Increase) Decrease in:</u>				
Inventories	(4,586)	(3,866)	(12,327)	(28,482)
Trade and other receivables	767	46,489	(25,264)	26,672
Prepayments	14,654	(306,760)	(71,096)	(306,620)
<u>Increase (Decrease) in:</u>				
Trade payables	(8,611)	(5,341)	16,055	34,033
Other payables & accruals	14,143	153,556	21,672	145,712
Due to directors	1,351	122,576	9,585	121,064
Total changes in working capital	17,718	6,654	(61,375)	(7,421)
<b>Cash flows generated from / (used in) operations</b>	<b>27,986</b>	<b>51,921</b>	<b>(36,763)</b>	<b>77,454</b>
Interest expense paid	(904)	(736)	(1,742)	(1,465)
Interest income received	708	536	844	962
Income tax paid	(3,940)	(9,387)	(3,755)	(18,588)
<b>Net cash generated from / (used in) operating activities</b>	<b>23,850</b>	<b>42,334</b>	<b>(41,416)</b>	<b>58,363</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(58,403)	(1,452)	(79,393)	(2,450)
Purchase of land use rights	-	-	(4,821)	-
Acquisition of subsidiaries, net of cash acquired	-	(226,038)	-	(226,038)
<b>Net cash used in investing activities</b>	<b>(58,403)</b>	<b>(227,490)</b>	<b>(84,214)</b>	<b>(228,488)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from loans and borrowings	19,000	-	19,000	-
Repayments of loans and borrowings	(13,578)	(564)	(14,147)	(1,156)
Dividend paid	-	(17,205)	-	(17,205)
(Increase) / Decrease in fixed deposits pledged to banks	(10,197)	520	(10,194)	484
<b>Net cash generated from (used in) financing activities</b>	<b>(4,775)</b>	<b>(17,249)</b>	<b>(5,341)</b>	<b>(17,877)</b>
<b>NET INCREASE / DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(39,328)</b>	<b>(202,405)</b>	<b>(130,971)</b>	<b>(188,002)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>132,513</b>	<b>475,634</b>	<b>224,156</b>	<b>461,231</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD (Note A)</b>	<b>93,185</b>	<b>273,229</b>	<b>93,185</b>	<b>273,229</b>

**Note A:**

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

	3 months Ended 30/6/2012 Unaudited RMB'000	3 months Ended 30/6/2011 Unaudited RMB'000	6 months Ended 30/6/2012 Unaudited RMB'000	6 months Ended 30/6/2011 Unaudited RMB'000
Fixed deposits	66,706	23,159	66,706	23,159
Cash and bank balances	67,863	279,124	67,863	279,124
	<u>134,569</u>	<u>302,283</u>	<u>134,569</u>	<u>302,283</u>
Less: Bank overdraft	(8,531)	(5,895)	(8,531)	(5,895)
Fixed deposits (pledged)	<u>(32,853)</u>	<u>(23,159)</u>	<u>(32,853)</u>	<u>(23,159)</u>
<b><u>Cash and cash equivalents</u></b>	<u>93,185</u>	<u>273,229</u>	<u>93,185</u>	<u>273,229</u>

Fixed deposits amounting to RMB 32,853,000 (2011: 23,159,000) are pledged to banks for the Group's bills payable to banks, Short-term bank loans and bank overdrafts respectively.

1(d)(i) A statement for the issuer and group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<b>Group</b>	<b>Share capital RMB'000</b>	<b>Treasury shares RMB'000</b>	<b>Reserve fund RMB'000</b>	<b>Contributed surplus RMB'000</b>	<b>Restructuring reserve<sup>1</sup> RMB'000</b>	<b>Translation reserve RMB'000</b>	<b>Accumulated profits / (losses) RMB'000</b>	<b>Total equity RMB'000</b>
<b>At 1 January 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(413)	405,737	1,145,187
Total comprehensive income for the period	-	-	-	-	-	(322)	40,255	39,933
Dividend paid	-	-	-	-	-	-	(17,205)	(17,205)
<b>At 30 June 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(735)	428,787	1,167,915
<b>At 1 January 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,168)	374,492	1,122,875
Total comprehensive loss for the period	-	-	-	-	-	(770)	(16,785)	(17,555)
<b>At 30 June 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,938)	357,707	1,105,320
<b>Company</b>								
<b>At 1 January 2011</b>	772,574	(6,408)	-	39,573	-	-	61,445	867,184
Total comprehensive loss for the period	-	-	-	-	-	-	(7,100)	(7,100)
Dividend paid	-	-	-	-	-	-	(17,205)	(17,205)
<b>At 30 June 2011</b>	772,574	(6,408)	-	39,573	-	-	37,140	842,879
<b>At 1 January 2012</b>	772,574	(6,408)	-	39,573	-	-	18,175	823,914
Total comprehensive loss for the period	-	-	-	-	-	-	(3,490)	(3,490)
<b>At 30 June 2012</b>	772,574	(6,408)	-	39,573	-	-	14,685	820,424

<b>Group</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Reserve fund</b>	<b>Contributed surplus</b>	<b>Restructuring reserve<sup>1</sup></b>	<b>Translation reserve</b>	<b>Accumulated profits / (losses)</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At 1 April 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(413)	423,397	1,162,847
Total comprehensive income for the period	-	-	-	-	-	(322)	22,595	22,273
Dividend paid	-	-	-	-	-	-	(17,205)	(17,205)
<b>At 30 June 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(735)	428,787	1,167,915
<b>At 1 April 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,151)	368,438	1,116,838
Total comprehensive loss for the period	-	-	-	-	-	(787)	(10,731)	(11,518)
<b>At 30 June 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,938)	357,707	1,105,320
<b>Company</b>								
<b>At 1 April 2011</b>	772,574	(6,408)	-	39,573	-	-	58,355	864,094
Total comprehensive loss for the period	-	-	-	-	-	-	(4,010)	(4,010)
Dividend paid	-	-	-	-	-	-	(17,205)	(17,205)
<b>At 30 June 2011</b>	772,574	(6,408)	-	39,573	-	-	37,140	842,879
<b>At 1 April 2012</b>	772,574	(6,408)	-	39,573	-	-	16,670	822,409
Total comprehensive loss for the period	-	-	-	-	-	-	(1,985)	(1,985)
<b>At 30 June 2012</b>	772,574	(6,408)	-	39,573	-	-	14,685	820,424

**Note:**

<sup>1</sup> **Restructuring reserve:**

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under “merger accounting”.

- 1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Buy-back

During the period ended 30 June 2012, there was no share acquired. There were a total of 13,886,000 treasury shares acquired in FY2009 and FY2010.

- 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.**

	30 June 2012	31 December 2011
Total number of issued shares excluding treasury shares	860,272,000	860,272,000

There were a total of 13,886,000 treasury shares as 30 June 2012.

- 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 2012	13,886,000
Purchases of shares during the year	-
Total number of shares as at 30 June 2012	13,886,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2012.

- 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 2011 have been applied in the preparation for the financial statements for the second quarter ended 30 June 2012.

- 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 has no material financial impact on the Group's and Company's financial statements.



**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)/Earnings per ordinary share of the group, after deducting any provision for preference dividends (in cents):	Group		Group	
	3 months ended 30/6/2012	3 months ended 30/6/2011	6 months ended 30/6/2012	6 months ended 30/6/2011
(a) Basic and	(1.3)	2.6	(2.0)	4.7
(b) On a fully diluted basis	(1.3)	2.6	(2.0)	4.7

*Note: Basic (loss)/earnings per share is computed based on weighted average number of shares in issue in 2012:860,272,000 ordinary shares (2011: 860,272,000).*

*Diluted earnings per share is computed based on weighted average number of ordinary shares in issue 860,272,000 ordinary shares, adjusted for the deemed conversion of the convertible note since the date of issue.*

**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	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB):	1.28	1.31	0.96	0.96
(Number of ordinary shares in issue as at 30/6/2012: 60,272,000 (31/12/2011: 860,272,000 shares)				

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	Group			Group		
	3 months Ended 30/6/2012 Unaudited	3 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2012 Unaudited	6 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper Chain	90,772	113,922	(20)	161,108	215,632	(25)
Zipper Slider	22,653	40,108	(44)	40,746	77,875	(48)
Trading	10,376	14,959	(31)	26,585	43,778	(39)
Processing	20,588	8,569	140	38,191	8,569	346
Inter-segment sales	(6,201)	-	NM	(10,442)	-	NM
Total Group Revenue	138,188	177,558	(22)	256,188	345,854	(26)

**COST OF SALES**

Zipper Chain	85,325	81,071	5	145,638	152,354	(4)
Zipper Slider	18,642	25,527	(27)	35,945	50,423	(29)
Trading	9,859	14,622	(33)	25,296	42,875	(41)
Processing	17,570	5,454	222	31,776	5,454	483
Inter-segment sales	(6,201)	-	NM	(10,442)	-	NM
Total Group Cost of Sales	125,195	126,674	(1)	228,213	251,106	(9)

**GROSS PROFIT**

Zipper Chain	5,447	32,851	(83)	15,470	63,278	(76)
Zipper Slider	4,011	14,581	(72)	4,801	27,452	(83)
Trading	517	337	53	1,289	903	43
Processing	3,018	3,115	(3)	6,415	3,115	106
Total Gross Profit	12,993	50,884	(74)	27,975	94,748	(70)

**GROSS PROFIT MARGIN**

	%	%	%	%	%	%
Zipper Chain	6.0	28.8	(22.8)	9.6	29.3	(19.7)
Zipper Slider	17.7	36.4	(18.7)	11.8	35.3	(23.5)
Trading	5.0	2.3	2.7	4.8	2.1	2.7
Processing	14.7	36.4	(21.7)	16.8	36.4	(19.6)
Average Gross Profit Margin	9.4	28.7	(19.3)	10.9	27.4	(16.5)
Zipper Segment Gross Profit Margin	8.3	30.8	(22.5)	10.0	30.9	(20.9)

NM: Not Meaningful

## **6M2012 vs. 6M2011**

### **Revenue**

The Group's revenue decreased by RMB 89.7 million (or 26%) to RMB 256.2 million. The decrease in revenue was due mainly to the decrease in the sales of the Zipper Chain (RMB 54.5 million), Zipper Slider (RMB 37.1 million) (collectively referred as the "Zippers segment") and the Trading segment (RMB 17.2 million). This was partially offset by the increase in revenue contributions from newly acquired processing operations namely Fulong Zipper and Weaving Co., Ltd, Jinjiang ("Fulong"), Jinjiang Jianxin Weaving Co., Ltd ("Jianxin") and Jinjiang Fuxin Electroplating Co., Ltd ("Fuxin") (totaling RMB 29.6 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 from the Zipper segment in 6M2012 was attributable to a deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy. This had led to the Group reducing its selling prices to retain customers' orders.

The decrease in revenue from the Trading segment was due to a decrease in sales orders during 6M2012.

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

The Group's gross profit decreased by RMB 66.8 million (or 70%) to RMB 28.0 million. The decrease in gross profit was attributable to the reduction in selling prices to retain customers' orders and the increase in the costs of production, mainly increase in direct labour costs and depreciation expense.

Average gross profit margin decreased by 16.5 percentage points to 10.9% due to the decrease in gross profit margin from the Zipper segment in 6M2012. This was attributable to the increase in labour cost and a deteriorating market for the zipper industry in the PRC, which was adversely affected by the general slowdown in the global economy, resulting in the Group reducing its selling prices to retain customers' orders, thus causing erosion in its gross profit margin.

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

Other income comprises government subsidies, foreign exchange gain and rental income while other expenses consist mainly of agency fee. The net income increase was due mainly to the increase in rental income as well as the foreign exchange gain.

### **Selling and distribution expenses**

Selling and distribution expenses increased by RMB 0.7 million (or 22%) to RMB 3.9 million. The increase was due mainly to an increase in staff costs as basic salaries increased.

### **General and administrative expenses**

General and administrative expenses increased by RMB 12.2 million (or 46%) to RMB 38.7 million. This was attributable to the RMB 4.4 million increase in amortization of intangible assets expense, the RMB 3.6 million increase in allowance for doubtful debts in 6M2012 and the RMB 3.8 million provision of Social Security Insurance computed based on the number of staff in the Group.

The increase in amortization of intangible assets in 6M2012 was due mainly to the increase in intangible assets from the 3 newly acquired subsidiaries in FY2011. The intangible assets mainly consist of customer base and operating license of the 3 subsidiaries namely Fulong, Jianxin and Fuxin acquired by the Group. The amortization periods for the customer base and operating license are 9 years and 21 years respectively.

The significant increase in depreciation RMB 10.5 million was due mainly to an additional properties, plant and equipment acquired in 6M2012 and the consolidation of the 3 new subsidiaries acquired in the second half of FY2011

### Finance income and expenses

Finance expenses increased by RMB 0.3 million (or 19%) to RMB 1.7 million. This was attributable to the increase in short-term loans compared to the previous corresponding period. Finance income decreased by RMB 0.1 million (or 12%) to RMB 0.8 million due mainly to a decrease in cash and bank balance.

### Tax expense

	Group		
	6 months Ended 30/6/2012 Unaudited	6 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	2,875	19,851	(86)
Deferred tax <sup>2</sup>	544	5,726	(90)
Tax expense	3,419	25,577	(87)

NM: Not Meaningful

### Notes

<sup>1</sup> Current tax decreased by RMB 17.0 million or 86% due to a decrease in taxable profit before taxation in 6M2012

<sup>2</sup> On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which states that distribution of dividends from profits accumulated from 1 January 2008, 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 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%.

### **2Q2012 vs. 2Q2011 (3 months)**

#### Revenue

The Group's revenue decreased by RMB 39.4 million (or 22%) to RMB 138.2 million. The decrease in revenue was due mainly to the decrease in the sales of the Trading segment (RMB 4.6 million), the Zipper Chain (RMB 23.2 million), and the Zipper Slider (RMB 17.4 million). This was partially offset by the increase in revenue contributions from the newly acquired processing operations namely Fulong, Jianxin and Fuxin, totaling RMB 12.0 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 from the Zipper segment in 2Q2012 was attributable to a deteriorating market for the zipper industry in the PRC which was affected by the general slowdown in the global economy. This had led to the Group reducing its selling prices to attract more orders.

The decrease in revenue from the Trading segment was due to a decrease in sales orders during 2Q2012.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 37.9 million (or 74%) to RMB 13.0 million. The decrease in gross profit was attributable to the reduction in selling prices to retain customers' orders and the increase in costs of production, mainly increases in direct labour costs and depreciation expense.

Average gross profit margin decreased by 19.3% points to 9.4% due to the decrease in gross profit margin from the Zipper segment in 2Q2012. This was attributable to the increase in labour cost and a deteriorating market for the zipper industry in the PRC, which was affected by the general slowdown in the global economy, resulting in the Group reducing its gross profit margin to attract more customers' orders.

### Other income and other expenses

Other income comprises government subsidies, foreign exchange gain and rental income while other expenses consist mainly of agency fee. The net income increase was due mainly to the increase in rental income and foreign exchange gain.

### Selling and distribution expenses

Selling and distribution expenses increased by RMB 0.4 million (or 26%) to RMB 2.2 million due to an increase in staff costs as basic salaries increased.

### General and administrative expenses

General and administrative expenses increased by RMB 8.5 million (or 63%) to RMB 22.1 million. This was attributable to the RMB 2.1 million increased in amortization of intangible assets expense, the RMB 2.8 million increased in allowance for doubtful debts and the RMB 3.8 million provision of Social Security Insurance provided for staff in the Group.

The increase in amortization of intangible assets in 2Q2012 was due mainly to the increase in intangible assets from the 3 newly acquired subsidiaries in FY2011. The intangible assets mainly consist of customer base and operating license of the 3 subsidiaries acquired by the Group. The amortization periods for the customer base and operating license are 9 years and 21 years respectively.

The significant increase in depreciation RMB 9.5 million was due mainly to an additional of properties, plant and equipment in 2Q2012 and the consolidation of the 3 new subsidiaries acquired in the second half of FY2011

### Finance income and expenses

Finance expenses increased by RMB 0.2 million (or 23%) to RMB 0.9 million. This was attributable to the increase in short-term loans compared to the previous corresponding period. Finance income increased by RMB 0.2 million to RMB 0.7 million due mainly to an increase in interest income from the fixed bank deposits balance.

### Tax expense

	Group		
	3 months Ended 30/6/2012 Unaudited	3 months Ended 30/6/2011 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	941	10,822	(91)
Deferred tax <sup>2</sup>	150	3,035	(95)
Tax (reversal) / expense	1,091	13,857	(92)

NM: Not Meaningful

### Notes

<sup>1</sup> Current tax decreased by RMB 9.9 million or 91% due to a decrease in taxable profit before taxation in 2Q2012.

<sup>2</sup>On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which states that distribution of dividends from profits accumulated from 1 January 2008, 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 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 2012, non-current assets amounted to RMB 914.6 million comprising property, plant and equipment, investment property, land use rights, prepayment and intangible assets.

The Group's property, plant and equipment amounted to RMB 358.6 million, an increase of 19% (or RMB 57.4 million) compared to RMB 301.2 million as at 31 December 2011. The increase was due mainly to acquisition of plant and machineries and payment for completion of expansion of zipper production areas in Jinjiang factory.

The significant increase in land use rights and decrease in prepayments were as a result of obtaining the certificate of land use right for the land in Xiamen in 1Q2012.

### Current assets

As at 30 June 2012, current assets amounted to RMB 477.4 million, a decrease of 3% (or RMB 14.0 million) compared to RMB 491.4 million as at 31 December 2011. This was due largely to a decrease in fixed deposits, cash and bank balances which were offset by the increases in inventories, prepayments, trade and other receivables.

Inventories increased by RMB 12.3 million due to a buildup of inventory as a result of the decline in sales while production continued on an optimal scale to cover its manufacturing overheads.

Trade and other receivables increased by RMB 18.1 million due to a temporary extension of the credit period with some old customers so as to retain customers' orders.

The increase in prepayments to suppliers was due mainly to the increase in advances made to certain suppliers. The Group made advance payments to these suppliers to secure ready supply of raw materials at competitive prices. It is a usual practice of the Group to make advance payments to suppliers at the beginning of the year to enable the Group to secure the price and supply of raw materials for the whole year. This would enable the Group to enjoy cost savings in the event of raw material price fluctuations.

Fixed deposits, cash and bank balances declined from RMB 255.2 million to RMB 134.6 million due mainly to the payment for completion of production area expansion and advance payment to suppliers.

### Current liabilities

As at 30 June 2012, total current liabilities were RMB 232.4 million, an increase of 28% (or RMB 51.0 million) compared to RMB 181.5 million as at 31 December 2011. This was mainly attributable to the increase in trade payables, bills payable to banks, short-term bank loans, amount due to directors, other payables and accruals which was offset by the decrease in income tax payables.

Trade payables and bills payable to banks increased due mainly to the fully utilization of the credit period from suppliers and also introduction of using bills payable in zipper segment so as to maintain the cash on hand.

Other payables and accruals increased due to the increase in advances received from customers. Short-term bank loans increased due as the Group obtained a new short-term bank loans from China CITIC Bank, please refer to page 3 for further information.

The increase in the amount due to a director from RMB5.3 million as at 31 December 2011 to RMB14.9 million as at 30 June 2012 was due mainly to settlement of the cost of acquisition for the land in Xiamen, the salaries due to directors, and professional expenses relating to audit and legal services paid by the Group's Chairman and CEO on behalf of the Company. The reason being the Company's funds were tied in a fixed deposit and were not available until the end of 2Q2012.

In the acquisition of the Land Parcel in Xiamen Island, the local government had requested the Group to settle the cost of acquisition of the Land Parcel within a tight period. In addition, due to the foreign exchange control in the PRC, the procedures and process in application of remittance is complicated and time consuming. The Chairman and CEO, Mr Hong Qing Liang, had therefore remitted the required amount from his personal account in Hong Kong to the Group's subsidiary to settle the cost of acquisition. As agreed with Mr Hong, no interest was charged on the funds contributed by him.

## CASH FLOW

### Operating activities

Net cash flows used in operating activities in 6M2012 amounted to RMB 41.4 million while cash flows generated from operating activities in 6M2011 amounted to RMB 58.4 million. This was due mainly to the increase in trade and other receivables as a result of the extension of the credit period to customers.

Net cash flows generated from operating activities in 2Q2012 amounted to RMB 23.9 million compared to RMB 42.3 million in 2Q2011. This was due mainly to increase in trade and other receivables as a result of the extension of the credit period to customers

### Investing activities

Net cash flows used in investing activities in 6M2012 amounted to RMB 84.2 million compared to RMB 228.5 million in 6M2011, and in 2Q2012 amounted to RMB 58.4 million compared to RMB 227.5 million in 2Q2011, was due primarily to the acquisition of the subsidiaries – Fulong and Jianxin in 2Q2011.

### Financing activities

Net cash flows used in financing activities in 6M2012 amounted to RMB 5.3 million compared to RMB 17.9 million in 6M2011, and in 2Q2012 amounted to RMB 4.8 million compared to RMB 17.2 million in 2Q2011, as a result of dividend payment to shareholders in 2Q2011.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement had been disclosed to shareholders previously.

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

For the half year ended 2012, the Group continues to operate under a highly competitive and challenging environment as the zipper industry in the PRC faces intense competition with lower profit margin. Arising from the challenging and competitive business environment, the Group faced a significant reduction in sales arising from shrinkage in demand for zippers as most of the

Group's customers still hold high level of inventories in their warehouse. The average utilization rates of the Group's production facilities in 1H2012 for zipper chains and zipper sliders were approximately 76% and 36% respectively.

Given the slowing down of economic growth in the PRC, uncertainties for export sales, as well as potential cost pressures arising from rising production and labour costs, the Group expects the zipper industry to remain highly challenging and competitive and does not expect the business environment to improve considerably for the rest of 2012.

The Group will strive to enhance its operational efficiency of its plants by implementing higher levels of automation to mitigate the impact of weak demand to the Group's gross profit margins. The Group will also continue to exercise tight control on the administrative expenses and strive to lower the production unit cost and inventory holding cost.

**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?

Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend Amount Per Share (in SGD)	0.2 cent
Tax Rate	Not Applicable

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

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

Not Applicable.

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

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

BY ORDER OF THE BOARD

Hong Qing Liang  
Executive Chairman & CEO

14 August 2012



**FUXING CHINA GROUP LIMITED**  
(Incorporated in Bermuda)

**Confirmation By Directors Pursuant to Clause 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 second quarter and half year ended 30 June 2012 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 2012