

**FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

**QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2012.

These figures have not been audited.

	Group			Group		
	3 months Ended 30/9/2012 Unaudited	3 months Ended 30/9/2011 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2012 Unaudited	9 months Ended 30/9/2011 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Continuing operations</b>						
<b>Revenue</b>	152,241	163,639	(7)	408,429	509,493	(20)
Cost of sales	(138,643)	(131,871)	5	(366,856)	(382,977)	(4)
Gross profit	13,598	31,768	(57)	41,573	126,516	(67)
Other income and expenses	2,044	(453)	NM	4,161	817	409
Selling and distribution expenses	(2,387)	(1,972)	21	(6,280)	(5,169)	21
General and administrative expenses	(24,832)	(21,856)	14	(63,499)	(48,342)	31
<b>(Loss) / Profit from operating activities</b>	(11,577)	7,487	NM	(24,045)	73,822	NM
Finance income	116	587	(80)	960	1,549	(38)
Finance expense	(667)	(177)	277	(2,409)	(1,642)	47
<b>(Loss) / Profit before taxation</b>	(12,128)	7,897	NM	(25,494)	73,729	NM
Income tax expense	(1,261)	(7,852)	(84)	(4,680)	(33,429)	(86)
<b>(Loss) / Profit for the period attributable to shareholders</b>	(13,389)	45	NM	(30,174)	40,300	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**

(13,389)	45	NM	(30,174)	40,300	NM
774	(269)	NM	4	(591)	NM
(12,615)	(224)	NM	(30,170)	39,709	NM

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

Allowance for doubtful trade receivables	5,624	1,510	272	12,888	5,213	147
Amortisation of land use rights	326	283	16	883	116	661
Amortisation of intangible assets	4,085	1,250	227	12,170	4,891	149
Depreciation of property, plant and equipment	9,288	6,863	35	31,277	18,164	72
Foreign exchange loss/(gain), net	(475)	3,060	NM	(1,673)	5,787	NM
Salaries and bonuses	20,126	15,723	28	49,176	40,567	21

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	
	30/9/2012 Unaudited	31/12/2011 Audited	30/9/2012 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	364,281	301,169	-	-
Investment property	61,335	60,803	-	-
Land use rights	211,140	46,502	-	-
Intangible assets	279,316	291,487	-	-
Prepayment	-	165,824	-	-
Investment in subsidiaries	-	-	344,853	344,853
	916,072	865,785	344,853	344,853
<b>Current assets</b>				
Inventories	78,571	81,996	-	-
Trade and other receivables	171,355	142,294	-	-
Prepayments	41,544	11,955	2	2
Amount due from subsidiaries (non-trade)	-	-	458,112	481,382
Fixed deposits	55,926	79,257	-	-
Cash and bank balances	167,133	175,903	19,699	1,407
	514,529	491,405	477,813	482,791
<b>Total assets</b>	1,430,601	1,357,190	822,666	827,644
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	17,067	17,554	-	-
Bills payable to banks	80,596	15,369	-	-
Other payables & accruals	68,084	61,960	1,651	1,864
Amount due to related company (non-trade)	-	-	99	-
Amount due to director (non-trade)	282	5,358	1,455	1,866
Short-term bank loans	103,478	65,746	-	-
Bank overdrafts	7,968	8,345	-	-
Income tax payable	6,020	7,132	-	-
<b>Total current liabilities</b>	283,495	181,464	3,205	3,730
<b>Non-current liabilities</b>				
Deferred tax liabilities	54,401	52,851	-	-
	54,401	52,851	-	-
<b>Total liabilities</b>	337,896	234,315	3,205	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	(1,164)	(1,168)	-	-
Accumulated profits	344,318	374,492	13,722	18,175
<b>Total equity</b>	1,092,705	1,122,875	819,461	823,914
<b>Total equity and liabilities</b>	1,430,601	1,357,190	822,666	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 September 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>	15,596	-	15,369	-
Bills payable to banks <sup>2</sup>	65,000	-	-	-
Short-term bank loans		-		-
- Shanghai Rural Commercial Bank <sup>3</sup>	12,000		13,000	
- China CITIC Bank <sup>4</sup>	40,000		-	
- East West Bank <sup>5</sup>	28,705	-	28,456	-
- Industrial and Commercial Bank of China <sup>6</sup>	22,773	-	24,290	-
Bank overdrafts <sup>7</sup>	7,968	-	8,345	-

**Notes:**

<sup>1</sup> RMB 15.6 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, bank deposits, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

<sup>2</sup> RMB 55.0 million is secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd., and RMB 10 million is secured by bank deposits of Jinjiang Fuxing Dress 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 40.0 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 4.0 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 4.0 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 30/9/2012 Unaudited RMB'000	3 months Ended 30/9/2011 Unaudited RMB'000	9 months Ended 30/9/2012 Unaudited RMB'000	9 months Ended 30/9/2011 Unaudited RMB'000
<b>OPERATING ACTIVITIES</b>				
<b>(Loss) / Profit before taxation</b>	<b>(12,128)</b>	<b>7,897</b>	<b>(25,494)</b>	<b>73,730</b>
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	9,288	6,683	31,277	18,164
Amortisation of land use rights	326	283	883	623
Amortisation of intangible assets	4,085	1,250	12,170	4,891
Allowance for doubtful trade receivables	5,624	1,510	12,888	5,213
Interest expense	668	177	2,409	1,642
Interest income	(115)	(587)	(959)	(1,549)
Foreign currency loss	748	(446)	(66)	(870)
Total adjustments	20,624	8,870	58,602	28,114
<b>Operating cash flows before changes in working capital</b>	<b>8,496</b>	<b>16,767</b>	<b>33,108</b>	<b>101,844</b>
<u>(Increase) Decrease in:</u>				
Inventories	15,752	(7,048)	3,425	(35,530)
Trade and other receivables	(16,686)	296,476	(41,951)	323,148
Prepayments	46,631	146,058	(24,464)	(160,562)
<u>Increase (Decrease) in:</u>				
Trade payables	(16,541)	(35,106)	(486)	(1,073)
Other payables & accruals	49,678	(192,983)	71,350	(47,272)
Due to directors	(14,661)	(10,470)	(5,076)	110,594
Total changes in working capital	64,173	196,927	2,798	189,305
<b>Cash flows generated from operations</b>	<b>72,669</b>	<b>213,694</b>	<b>35,906</b>	<b>291,149</b>
Interest expense paid	(668)	(177)	(2,409)	(1,642)
Interest income received	115	587	960	1,549
Income tax paid	(485)	(10,398)	(4,241)	(28,986)
<b>Net cash generated from operating activities</b>	<b>71,631</b>	<b>203,706</b>	<b>30,216</b>	<b>262,070</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(14,995)	(34,026)	(94,389)	(36,477)
Purchase of land use rights	-	-	(4,821)	-
Acquisition of subsidiaries, net of cash acquired	-	(144,161)	-	(370,199)
<b>Net cash used in investing activities</b>	<b>(14,995)</b>	<b>(178,187)</b>	<b>(99,210)</b>	<b>(406,676)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from loans and borrowings	33,000	-	52,000	-
Repayments of loans and borrowings	(583)	(546)	(14,730)	(1,703)
Dividend paid	-	(8,472)	-	(25,677)
(Increase) / Decrease in fixed deposits pledged to banks	(23,073)	403	(33,267)	887
<b>Net cash generated from / (used in) financing activities</b>	<b>9,344</b>	<b>(8,615)</b>	<b>4,003</b>	<b>(26,493)</b>
<b>NET INCREASE / DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>65,980</b>	<b>16,904</b>	<b>(64,991)</b>	<b>(171,099)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>93,185</b>	<b>273,228</b>	<b>224,156</b>	<b>461,231</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD (Note A)</b>	<b>159,165</b>	<b>290,132</b>	<b>159,165</b>	<b>290,132</b>

**Note A:**

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

	3 months Ended 30/9/2012 Unaudited RMB'000	3 months Ended 30/9/2011 Unaudited RMB'000	9 months Ended 30/9/2012 Unaudited RMB'000	9 months Ended 30/9/2011 Unaudited RMB'000
Fixed deposits	55,926	22,755	55,926	22,755
Cash and bank balances	167,133	298,321	167,133	298,321
	<u>223,059</u>	<u>321,076</u>	<u>223,059</u>	<u>321,076</u>
Less: Bank overdraft	(7,968)	(8,189)	(7,968)	(8,189)
Fixed deposits (pledged)	(55,926)	(22,755)	(55,926)	(22,755)
<b><u>Cash and cash equivalents</u></b>	<u>159,165</u>	<u>290,132</u>	<u>159,165</u>	<u>290,132</u>

Fixed deposits amounting to RMB 55,926,000 (2011: 22,755,000) 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	-	-	-	-	-	(591)	40,300	39,709
Dividend paid	-	-	-	-	-	-	(25,677)	(25,677)
<b>At 30 September 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(1,004)	420,360	1,159,219
<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	-	-	-	-	-	4	(30,174)	(30,170)
<b>At 30 September 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,164)	344,318	1,092,705
<b><u>Company</u></b>								
<b>At 1 January 2011</b>	772,574	(6,408)	-	39,573	-	-	61,445	867,184
Total comprehensive loss for the period	-	-	-	-	-	-	(11,606)	(11,606)
Dividend paid	-	-	-	-	-	-	(25,677)	(25,677)
<b>At 30 September 2011</b>	772,574	(6,408)	-	39,573	-	-	24,162	829,901
<b>At 1 January 2012</b>	772,574	(6,408)	-	39,573	-	-	18,175	823,914
Total comprehensive loss for the period	-	-	-	-	-	-	(4,453)	(4,453)
<b>At 30 September 2012</b>	772,574	(6,408)	-	39,573	-	-	13,722	819,461

<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 July 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(735)	428,787	1,167,915
Total comprehensive income for the period	-	-	-	-	-	(269)	45	(224)
Dividend paid	-	-	-	-	-	-	(8,472)	(8,472)
<b>At 30 September 2011</b>	772,574	(6,408)	52,002	39,573	(117,878)	(1,004)	420,360	1,159,219
<b>At 1 July 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,938)	357,707	1,105,320
Total comprehensive loss for the period	-	-	-	-	-	774	(13,389)	(12,615)
<b>At 30 September 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,164)	344,318	1,092,705
<b>Company</b>								
<b>At 1 July 2011</b>	772,574	(6,408)	-	39,573	-	-	37,140	842,879
Total comprehensive loss for the period	-	-	-	-	-	-	(4,506)	(4,506)
Dividend paid	-	-	-	-	-	-	(8,472)	(8,472)
<b>At 30 September 2011</b>	772,574	(6,408)	-	39,573	-	-	24,162	829,901
<b>At 1 July 2012</b>	772,574	(6,408)	-	39,573	-	-	14,685	820,424
Total comprehensive loss for the period	-	-	-	-	-	-	(963)	(963)
<b>At 30 September 2012</b>	772,574	(6,408)	-	39,573	-	-	13,722	819,461

**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 September 2012, there were no shares 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 September 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 September 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 September 2012	13,886,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 September 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 third quarter ended 30 September 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 have 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 30/9/2012	3 months ended 30/9/2011	9 months ended 30/9/2012	9 months ended 30/9/2011
(a) Basic and	(1.6)	0.0	(3.5)	4.7
(b) On a fully diluted basis	(1.6)	0.0	(3.5)	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 of 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	
	30/9/2012	31/12/2011	30/9/2012	31/12/2011
Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB):	1.27	1.31	0.95	0.96
(Number of ordinary shares in issue as at 30/9/2012: 860,272,000 (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 30/9/2012 Unaudited	3 months Ended 30/9/2011 Unaudited	Increase/ (Decrease)	9 months Ended 30/9/2012 Unaudited	9 months Ended 30/9/2011 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper Chain	95,989	90,574	6	257,097	306,207	(16)
Zipper Slider	27,790	27,783	0	68,536	105,658	(35)
Trading	12,028	25,574	(53)	38,613	69,351	(44)
Processing	20,504	26,417	(22)	58,695	34,986	68
Inter-segment sales	(4,070)	(6,709)	(39)	(14,512)	(6,709)	116
Total Group Revenue	152,241	163,639	(7)	408,429	509,493	(20)

#### COST OF SALES

Zipper Chain	88,587	71,948	23	234,225	224,302	4
Zipper Slider	24,332	21,422	14	60,277	71,845	(16)
Trading	11,463	24,763	(54)	36,759	67,638	(46)
Processing	18,331	20,447	(10)	50,107	25,901	93
Inter-segment sales	(4,070)	(6,709)	(39)	(14,512)	(6,709)	116
Total Group Cost of Sales	138,643	131,871	5	366,856	382,977	(4)

#### GROSS PROFIT

Zipper Chain	7,402	18,626	(60)	22,872	81,905	(72)
Zipper Slider	3,458	6,361	(46)	8,259	33,813	(76)
Trading	565	811	(30)	1,854	1,713	8
Processing	2,173	5,970	(64)	8,588	9,085	(5)
Total Gross Profit	13,598	31,768	(57)	41,573	126,516	(67)

#### GROSS PROFIT MARGIN

	%	%	% points	%	%	% points
Zipper Chain	7.7	20.6	(12.9)	8.9	26.7	(17.8)
Zipper Slider	12.4	22.9	(10.5)	12.1	32.0	(19.9)
Trading	4.7	3.2	1.5	4.8	2.5	2.3
Processing	10.6	22.6	(12.0)	14.6	26.0	(11.3)
Average Gross Profit Margin	8.9	19.4	(10.5)	10.2	24.8	(14.6)
Zipper Segment Gross Profit Margin	8.8	21.1	(12.3)	9.6	28.1	(18.5)

NM: Not Meaningful

## **9M2012 vs. 9M2011**

### **Revenue**

The Group's revenue decreased by RMB 101.1 million (or 20%) to RMB 408.4 million. The decrease in revenue was due mainly to the decrease in the sales of the Zipper Chain (RMB 49.1 million) and Zipper Slider (RMB 37.1 million) (collectively referred as the "Zippers segment") and the Trading segment (RMB 30.8 million). This was partially offset by the increase in revenue contributions from the 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 15.9 million) (collectively referred as the "Processing segment").

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 9M2012 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 9M2012.

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

The Group's gross profit decreased by RMB 84.9 million (or 67%) to RMB 41.6 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.

Average gross profit margin decreased by 14.6 percentage points to 10.2% due to the decrease in gross profit margin from the Zipper segment in 9M2012. This was attributable to the same reasons explained above.

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

Other income comprises government subsidies, foreign exchange gain, referral fee income and rental income while other expenses consist mainly of agency fee. The net income increase was due mainly to rental income as well as the foreign exchange gain as a result of the depreciation of RMB against foreign currencies, eg., USD in September 2012.

### **Selling and distribution expenses**

Selling and distribution expenses increased by RMB 1.1 million (or 21%) to RMB 6.3 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 15.2 million (or 31%) to RMB 63.5 million. This was attributable to the RMB 7.3 million increase in amortization of intangible assets expense, and the RMB 7.7 million increase in allowance for doubtful debts. The increase in allowance for doubtful debts was due mainly to the requests from some customers for a longer credit period. These customers are not the Group's major customers.

The increase in amortization of intangible assets in 9M2012 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 licenses of the 3 subsidiaries which were also 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 13.1 million was due mainly to additional acquisition of properties, plant and equipment in 9M2012 and the consolidation of the 3 new subsidiaries in the second half of FY2011

### Finance income and expenses

Finance expenses increased by RMB 0.8 million (or 47%) to RMB 2.4 million. This was attributable to the increase in short-term loans and bills payable compared to the previous corresponding period. Finance income decreased by RMB 0.6 million (or 38%) to RMB 1.0 million due mainly to a decrease in cash and bank balance.

### Tax expense

	Group		
	9 months Ended 30/9/2012 Unaudited	9 months Ended 30/9/2011 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	3,924	25,744	(85)
Deferred tax <sup>2</sup>	756	7,685	(90)
Tax expense	4,680	33,429	(86)

NM: Not Meaningful

### Notes

<sup>1</sup> Current tax decreased by RMB 21.8 million or 85% due to a decrease in taxable profit before taxation in 9M2012

<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%.

### 3Q2012 vs 3Q2011 (3 months)

#### Revenue

The Group's revenue decreased by RMB 11.4 million (or 7%) to RMB 152.2 million. The decrease in revenue was due mainly to the decrease in the sales of the Trading segment of RMB 13.5 million and the decrease in the sales of the Processing segment of RMB3.3 million. This was partially offset by the increase in revenue contributions from the Zipper Chain of RMB 5.4 million.

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

The increase in revenue from the Zipper segment in 3Q2012 was attributable to the increase in sales order and quantities sold as a result of reduction of selling prices

The decrease in revenue from the Trading segment was due to a decrease in sales orders during 3Q2012.

#### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 18.2 million (or 57%) to RMB 13.6 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.

Average gross profit margin decreased by 10.5 percentage points to 8.9% due to the decrease in gross profit margin from the Zipper segment in 3Q2012. This was attributable to the same reasons explained above.

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

Other income comprises government subsidies, foreign exchange gain, referral fee income and rental income while other expenses consist mainly of agency fee. The net income increase was due mainly to rental income as well as the foreign exchange gain as a result of the depreciation of RMB against foreign currencies, eg., USD in September 2012.

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

Selling and distribution expenses increased by RMB 0.4 million (or 21%) to RMB 2.4 million due to an increase in staff costs as basic salaries increased.

#### **General and administrative expenses**

General and administrative expenses increased by RMB 3.0 million (or 14%) to RMB 24.8 million. This was attributable to the RMB 2.8 million increased in amortization of intangible assets expense, and the RMB 4.1 million increased in allowance for doubtful debts in 3Q2012.

The increase in amortization of intangible assets in 3Q2012 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 licenses of the 3 subsidiaries which were also 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 2.4 million was due mainly to additional acquisition of properties, plant and equipment in 3Q2012 and the consolidation of the 3 new subsidiaries in the second half of FY2011

#### **Finance income and expenses**

Finance expenses increased by RMB 0.5 million (or 277%) to RMB 0.7 million. This was attributable to the increase in short-term loans and bills payables compared to the previous corresponding period. Finance income decreased by RMB 0.4 million to RMB 0.1 million due mainly to a decrease in bank balance.

#### **Tax expense**

	<b>Group</b>		
	<b>3 months Ended 30/9/2012 Unaudited RMB'000</b>	<b>3 months Ended 30/9/2011 Unaudited RMB'000</b>	<b>Increase/ (Decrease) %</b>
Current tax <sup>1</sup>	1,049	5,893	(82)
Deferred tax <sup>2</sup>	212	1,959	(89)
Tax (reversal) / expense	1,261	7,852	(84)

NM: Not Meaningful

#### **Notes**

<sup>1</sup> Current tax decreased by RMB 4.8 million or 82% due to a decrease in taxable profit before taxation in 3Q2012.

<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 September 2012, non-current assets amounted to RMB 916.1 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 364.3 million, an increase of 21% (or RMB 63.1 million) compared to RMB 301.2 million as at 31 December 2011. The increase was due mainly to acquisition of plant and machineries for replacement of old plant and machineries and expansion of zipper production areas and staff dormitory 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 September 2012, current assets amounted to RMB 514.5 million, an increase of 5% (or RMB 23.1 million) compared to RMB 491.4 million as at 31 December 2011. This was due largely to increases in prepayments, trade and other receivables which were offset by the decreases in inventories, fixed deposits, cash and cash balances.

Inventories decreased by RMB 3.4 million which were in line with the decrease in the Group's level of activities.

Trade and other receivables increased by RMB 29.1 million due to a temporary extension of credit period with some old customers so as to retain their 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 223.1 million due mainly to the payment for completion of production area expansion and advance payment to suppliers.

### Current liabilities

As at 30 September 2012, total current liabilities were RMB 283.5 million, an increase of 56% (or RMB 102.0 million) compared to RMB 181.5 million as at 31 December 2011. This was mainly attributable to the increase in bills payable to banks, short-term bank loans, other payables and accruals which was offset by the decrease in trade payables, bank overdraft, amount due to directors and income tax payables.

Bills payable to banks increased due mainly to the commencement of utilising bills payable in zipper segment so as to maintain the cash and bank balances.

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

The decrease in the amount due to a director from RMB5.3 million as at 31 December 2011 to RMB0.3 million as at 30 September 2012 was due mainly to the repayment made in 3Q2012.

## CASH FLOW

### Operating activities

Net cash flows generated from operating activities in 9M2012 amounted to RMB 30.2 million compared to RMB 262.1 million in 9M2011, and in 3Q2012 amounted to RMB 71.6 million compared to RMB 203.7 million in 3Q2011. The decrease in net cash flows generated in 9M2012 and 3Q2012 compared to the previous corresponding periods were due mainly to the significant operational profit flows in the previous periods, increase in trade and other receivables and decrease in amount due to a director in 3Q 2012 and 9M2012.

### Investing activities

Net cash flows used in investing activities in 9M2012 amounted to RMB 99.2 million compared to RMB 406.7 million in 9M2011, and in 3Q2012 amounted to RMB 15.0 million compared to RMB 178.2 million in 3Q2011, was due primarily to the acquisition of the subsidiaries Fulong and Jianxin in 2Q2011, Fuxin in 3Q2011.

### Financing activities

Net cash flows generated from financing activities in 9M2012 amounted to RMB 4.0 million while net cash flows used in 9M2011 amounted to RMB 26.5 million, and net cash flows generated from financing activities in 3Q2012 amounted to RMB 9.3 million, while net cash flows used in 3Q2011 amounted to RMB 8.6 million, as a result of dividend payments to shareholders in 2Q2011 and 3Q2011.

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

Under paragraph 10 of the Company's 2Q2012 results announcement dated 14 August 2012, the Company had disclosed that 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 expected the zipper industry to remain highly challenging and competitive and did not expect the business environment to improve considerably for the rest of 2012.

The performance for 3Q2012 and 9M2012 is in line with the Company's commentary in paragraph 10 of the results announcement dated 14 August 2012.

**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 nine months ended 2012, the Group continued 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 warehouses. The average utilization rates of the Group's production facilities in 9M2012 for zipper chains and zipper sliders were approximately 76% and 40% respectively.

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 expects the slowing economic growth in the PRC, uncertainties for export sales, as well as potential cost pressures arising from rising production costs and labour costs to affect its operating outlook for the next twelve months.

The Group will strive to enhance its operational efficiency of its plants through automation of its production processes, so as 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 its 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?

No

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

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

Not Applicable.

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

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

BY ORDER OF THE BOARD

Hong Qing Liang  
Executive Chairman & CEO

12 November 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 third quarter ended 30 September 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: 12 November 2012