FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)
(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2013.

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 2013. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2013 Unaudited	3 months Ended 30/6/2012 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2013 Unaudited	6 months Ended 30/6/2012 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	147,257	138,188	7	288,578	256,188	13
Cost of sales	(136,465)	(125,195)	9	(267,422)	(228,213)	17
Gross profit	10,792	12,993	(17)	21,156	27,975	(24)
Other income and expenses	(3,239)	1,798	NM	(3,236)	2,117	NM
Selling and distribution expenses	(2,141)	(2,156)	(1)	(4,082)	(3,893)	5
General and administrative expenses	(20,625)	(22,079)	(7)	(38,297)	(38,667)	(1)
Loss from operating activities	(15,213)	(9,444)	61	(24,459)	(12,468)	96
Finance income	555	708	(22)	1,099	844	30
Finance expense	(2,017)	(904)	123	(3,502)	(1,742)	101
Loss before taxation	(16,675)	(9,640)	73	(26,862)	(13,366)	101
Income tax expense	(728)	(1,091)	(33)	(1,390)	(3,419)	(59)
Loss for the period attributable to shareholders	(17,403)	(10,731)	62	(28,252)	(16,785)	68
Statement of Comprehensive Income						
Loss attributable to shareholders	(17,403)	(10,731)	62	(28,252)	(16,785)	68
Other comprehensive income for the period						
Exchange differences on translating foreign operations	2,222	(787)	NM	2,677	(770)	NM
Total comprehensive loss for the period attributable to shareholders	(15,181)	(11,518)	32	(25,575)	(17,555)	46

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

Allowance for doubtful trade receivables	4,729	3,594	32	5,687	7,264	(22)
Amortisation of land use rights	304	326	(7)	616	557	11
Amortisation of intangible assets	4,562	4,085	12	9,125	8,086	13
Depreciation of property, plant and equipment	10,539	12,539	(16)	20,970	21,989	(5)
Inventory written down	3,000	-	NM	3,000	-	NM
Foreign exchange loss/(gain), net	4,087	(1,198)	NM	4,774	(1,134)	NM
Salaries and bonuses	15,973	16,513	(3)	33,086	29,050	14

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	
	30/6/2013 Unaudited	31/12/2012 Audited	30/6/2013 Unaudited	31/12/2012 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	354,124	359,114	-	-
Investment property	292,585	274,318	-	-
Land use rights	44,676	45,292	-	-
Intangible assets	184,112	193,237	-	-
Prepayments	3,216	3,809	-	
Investment in subsidiaries	-	-	344,853	344,853
	878,713	875,770	344,853	344,853
Current assets				
Inventories	97,539	56,731	-	-
Trade and other receivables	169,960	184,570	-	2
Prepayments	29,439	42,150	2	-
Amount due from subsidiaries (non-trade)	-	-	469,336	474,226
Fixed deposits	68,826	68,873	-	-
Cash and bank balances	251,408	185,325	828	994
	617,172	537,649	470,166	475,222
Total assets	1,495,885	1,413,419	815,019	820,075
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	28,220	14,563	-	-
Bills payable to banks	114,321	110,374	-	-
Other payables & accruals	151,727	157,158	2,419	1,533
Amount due to director (non-trade)	22,855	3,121	3,020	2,040
Amount due to related companies (non-trade)	-	-	100	100
Short-term bank loans	172,358	110,459	-	-
Bank overdrafts	21,127	6,897	-	-
Income tax payable	4,577	4,813	-	-
Total current liabilities	515,185	407,385	5,539	3,673
Non-current liabilities				
Deferred tax liabilities	55,557	55,316	-	-
	55,557	55,316	-	-
Total liabilities	570,742	462,701	5,539	3,673
Equity attributable to equity holders of the Company				
Share capital	772,574	772,574	772,574	772,574
Treasury shares	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund	62,544	62,544	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	2,628	(49)	-	-
Accumulated profits	172,110	200,362	3,741	10,663
Total equity	925,143	950,718	809,480	816,402
Total equity and liabilities	1,495,885	1,413,419	815,019	820,075

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 2013		As at 31 December 2012	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bills payable to banks				
- Industrial and Commercial Bank of China – Hong Kong[1]	19,953	-	15,374	-
- China CITIC Bank[2]	55,000	-	70,000	-
- China Construction Bank[3]	35,000	-	25,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch [5]	4,368	-	-	-
Short-term bank loans				
- Shanghai Rural Commercial Bank Songjiang Branch[4]	10,000	-	12,000	-
- China CITIC Bank[2]	40,000	-	40,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch [5]	8,000	-	8,000	-
- East West Bank[6]	27,961	-	28,459	-
- Industrial and Commercial Bank of China – Hong Kong[7]	20,465	-	22,000	-
- Hang Seng Bank[8]	15,932	-	-	-
- China Construction Bank Dongqu Branch[9]	50,000	-	-	-
Bank overdrafts				
- East West Bank[6]	3,871	-	3,890	-
- Industrial and Commercial Bank of China – Hong Kong[7]	5,726	-	3,007	-
- Hang Seng Bank[8]	11,530	-	-	-

Notes:

[1] RMB 20.0 million is secured by a charge over an 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.

[2] Bills payable of RMB 55.0 million and short-term bank loan of RMB40.0 million are secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd., and certain land and buildings owned by Jinjiang Jianxin Weaving Co. Ltd., located at Donghaian Development Zone, Shenhu Town, Jinjiang City, Fujian Province, The PRC. and personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a related party Jinjiang Fuxing Dress Co. Ltd. and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

[3] RMB 35 million is secured by bank deposits of Jinjiang Fuxing Dress Co. Ltd., and certain land and buildings owned by Fulong Zipper and Weaving Co., Ltd., located at Donghaian Comprehensive Development Zone, Shenhu Town, Jinjiang City, Fujian Province, PRC., and personal guarantee from related parties - Mr. Hong Qing Liang (CEO), and Ms Shi MeiMei (spouse of Mr. Hong Qing Liang)

[4] RMB 10.0 million is secured by certain buildings owned by Fuxing Textile (Shanghai) Co., Ltd.

[5] RMB 8.0 million is 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 and personal guarantee from a related party - Mr. Hong Qing Liang (CEO), and corporate guarantee from a related party - Jinjiang Fuxing Dress Co. Ltd., and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

[6] Short-term loan of RMB28.0 million and bank overdraft of RMB3.9 million are secured by bank deposits of Fook Hing Group Trading Co., Ltd., and personal guarantee from a related party (Hong Li Hong – sister of Mr Hong Qing Liang), an independent third party (Sze Kai Lung) and corporate guarantee by Fuxing China Group Limited.

[7] Short-term loan of RMB 20.5 million and bank overdraft of RMB 5.7 million are secured by a charge over an 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.

[8] Short-term loan of RMB 15.9 million and bank overdraft of RMB 11.5 million are secured by a charge over investment property owned by Pretty Limited (which is owned by related party - Mr. Hong Qing Liang (Executive Chairman and CEO)), located at 13/F., (Top Floor) and part of 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, corporate guarantee from Fuxing China Group Limited, and personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

[9] This loan is secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd., located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, PRC.

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 30/6/2013 Unaudited RMB'000	3 months Ended 30/6/2012 Unaudited RMB'000	6 months Ended 30/6/2013 Unaudited RMB'000	6 months Ended 30/6/2012 Unaudited RMB'000
OPERATING ACTIVITIES				
Loss before taxation	**(16,675)**	**(9,640)**	**(26,862)**	**(13,365)**
Adjustments for:				
Depreciation of property, plant and equipment	10,539	12,539	20,970	21,989
Amortisation of land use rights	304	326	616	557
Amortisation of intangible assets	4,562	4,085	9,125	8,086
Allowance for doubtful trade receivables	4,729	3,594	5,687	7,264
Inventory written down	3,000	-	3,000	-
Interest expense	2,016	904	3,502	1,742
Interest income	(555)	(708)	(1,099)	(844)
Foreign currency loss	1,546	(832)	1,801	(817)
Total adjustments	26,141	19,908	43,602	37,977
Operating cash flows before changes in working capital	**9,466**	**10,268**	**16,740**	**24,612**
(Increase) Decrease in:				
Inventories	(47,060)	(4,586)	(43,808)	(12,327)
Trade and other receivables	10,735	767	8,923	(25,265)
Prepayments	2,071	14,654	12,711	(71,095)
Increase (Decrease) in:				
Trade payables	7,248	(8,611)	13,657	16,055
Other payables & accruals	(25,949)	14,143	(1,484)	21,672
Due to directors	17,388	1,351	19,735	9,585
Total changes in working capital	(35,567)	17,718	9,734	(61,375)
Cash flows generated from / (used in) operations	**(26,101)**	**27,986**	**26,474**	**(36,763)**
Interest expense paid	(2,016)	(904)	(3,502)	(1,742)
Interest income received	555	708	1,099	844
Income tax paid	(454)	(3,940)	(1,384)	(3,755)
Net cash generated from / (used in) operating activities	**(28,016)**	**23,850**	**22,687**	**(41,416)**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(14,033)	(58,403)	(15,387)	(79,393)
Purchase of investment properties	(11,135)	-	(18,267)	(4,821)
Net cash used in investing activities	**(25,168)**	**(58,403)**	**(33,654)**	**(84,214)**
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	75,932	19,000	75,932	19,000
Repayments of loans and borrowings	(577)	(13,578)	(13,159)	(14,147)
Dividend paid	-	-	-	-
(Increase) / Decrease in fixed deposits pledged to banks	(7,516)	(10,197)	47	(10,194)
Net cash generated from (used in) financing activities	**67,839**	**(4,775)**	**62,820**	**(5,341)**
NET INCREASE / DECREASE IN CASH & CASH EQUIVALENTS	14,655	(39,328)	51,853	(130,971)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	215626	132,513	178,428	224,156
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	230,281	93,185	230,281	93,185

Note A:

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

	3 months Ended 30/6/2013 Unaudited RMB'000	3 months Ended 30/6/2012 Unaudited RMB'000	6 months Ended 30/6/2013 Unaudited RMB'000	6 months Ended 30/6/2012 Unaudited RMB'000
Fixed deposits	68,826	66,706	68,826	66,706
Cash and bank balances	251,408	67,863	251,408	67,863
	320,234	134,569	320,234	134,569
Less: Bank overdraft	(21,127)	(8,531)	(21,127)	(8,531)
Fixed deposits (pledged)	(68,826)	(32,853)	(68,826)	(32,853)
Cash and cash equivalents	230,281	93,185	230,281	93,185

Fixed deposits amounting to RMB 68,826,000 (2012: 32,853,000) 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.

	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve[1]	Translation reserve	Accumulated profits / (losses)	Total equity
Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2012	772,574	(6,408)	61,690	39,573	(117,878)	(1,168)	374,492	1,122,875
Total comprehensive income for the period	-	-	-	-	-	(770)	(16,785)	(17,555)
At 30 June 2012	772,574	(6,408)	52,002	39,573	(117,878)	(735)	428,787	1,167,915
At 1 January 2013	772,574	(6,408)	62,544	39,573	(117,878)	(49)	200,362	950,718
Total comprehensive loss for the period	-	-	-	-	-	2,677	(28,252)	(25,575)
At 30 June 2013	772,574	(6,408)	62,544	39,573	(117,878)	2,628	172,110	925,143
Company								
At 1 January 2012	772,574	(6,408)	-	39,573	-	-	18,175	823,914
Total comprehensive loss for the period	-	-	-	-	-	-	(3,490)	(3,490)
At 30 June 2012	772,574	(6,408)	-	39,573	-	-	37,140	820,424
At 1 January 2013	772,574	(6,408)	-	39,573	-	-	10,663	816,402
Total comprehensive loss for the period	-	-	-	-	-	-	(6,922)	(6,922)
At 30 June 2013	772,574	(6,408)	-	39,573	-	-	3,741	809,480

Group	**Share capital** RMB'000	**Treasury shares** RMB'000	**Reserve fund** RMB'000	**Contributed surplus** RMB'000	**Restructuring reserve**[1] RMB'000	**Translation reserve** RMB'000	**Accumulated profits / (losses)** RMB'000	**Total equity** RMB'000
At 1 April 2012	772,574	(6,408)	61,690	39,573	(117,878)	(1,151)	368,438	1,116,838
Total comprehensive income for the period	-	-	-	-	-	(787)	(10,731)	(11,518)
At 30 June 2012	772,574	(6,408)	52,002	39,573	(117,878)	(735)	428,787	1,167,915
At 1 April 2013	772,574	(6,408)	62,544	39,573	(117,878)	406	189,513	940,324
Total comprehensive loss for the period	-	-	-	-	-	2,222	(17,403)	(15,181)
At 30 June 2013	772,574	(6,408)	62,544	39,573	(117,878)	2,628	172,110	925,143
Company								
At 1 April 2012	772,574	(6,408)	-	39,573	-	-	16,670	822,409
Total comprehensive loss for the period	-	-	-	-	-	-	(1,985)	(1,985)
At 30 June 2012	772,574	(6,408)	-	39,573	-	-	37,140	820,424
At 1 April 2013	772,574	(6,408)	-	39,573	-	-	8,194	813,933
Total comprehensive loss for the period	-	-	-	-	-	-	(4,453)	(4,453)
At 30 June 2013	772,574	(6,408)	-	39,573	-	-	3,741	809,480

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 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 2013, there were no shares acquired.

Convertibles
For the second quarter ended 30 June 2013, there were no outstanding convertibles.

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 2013	**As at 31 December 2012**
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 at 30 June 2013.

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 2013	13,886,000
Purchases of shares during the period	-
Total number of shares as at 30 June 2013	13,886,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2013.

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 2012 have been applied in the preparation for the financial statements for the half year ended 30 June 2013.

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 for the half year ended 30 June 2013.

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 30/6/2013	**3 months ended 30/6/2012**	**6 months ended 30/6/2013**	**6 months ended 30/6/2012**
(a) Basic and	(2.0)	(1.3)	(3.3)	(2.0)
(b) On a fully diluted basis	(2.0)	(1.3)	(3.3)	(2.0)

Note: Basic (loss)/earnings per share is computed based on weighted average number of shares in issue in 2013:860,272,000 ordinary shares (2012: 860,272,000).

For the second quarter and half year ended 30 June 2012 and 2013, 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 2012 and 2013.

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	
	30/6/2013	**31/12/2012**	**30/6/2013**	**31/12/2012**
Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB): (Number of ordinary shares in issue as at 30/6/2013: 860,272,000 (as at 31/12/2012: 860,272,000 shares)	1.08	1.11	0.95	0.95

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 30/6/2013 Unaudited	3 months Ended 30/6/2012 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2013 Unaudited	6 months Ended 30/6/2012 Unaudited	Increase/ (Decrease)
REVENUE	**RMB'000**	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Zipper Chain	78,716	90,772	(13)	157,109	161,108	(2)
Zipper Slider	16,859	22,653	(26)	36,187	40,746	(11)
Trading	37,018	10,376	257	67,495	26,585	154
Processing	19,936	20,588	(3)	35,420	38,191	(7)
Inter-segment sales	(5,272)	(6,201)	(15)	(7,633)	(10,442)	(27)
Total Group Revenue	147,257	138,188	7	288,578	256,188	13
COST OF SALES						
Zipper Chain	72,518	85,325	(15)	144,110	145,638	(1)
Zipper Slider	14,454	18,642	(22)	31,489	35,945	(12)
Trading	36,258	9,859	268	65,782	25,296	160
Processing	18,507	17,570	5	33,674	31,776	6
Inter-segment sales	(5,272)	(6,201)	(15)	(7,633)	(10,442)	(27)
Total Group Cost of Sales	136,465	125,195	9	267,422	228,213	17
GROSS PROFIT						
Zipper Chain	6,198	5,447	14	12,999	15,470	(16)
Zipper Slider	2,405	4,011	(40)	4,698	4,801	(2)
Trading	760	517	47	1,713	1,289	33
Processing	1,429	3,018	(53)	1,746	6,415	(73)
Total Gross Profit	10,792	12,993	(17)	21,156	27,975	(24)
GROSS PROFIT MARGIN						
	%	**%**	**% pts**	**%**	**%**	**% pts**
Zipper Chain	7.9	6.0	1.9	8.3	9.6	(1.3)
Zipper Slider	14.3	17.7	(3.4)	13	11.8	1.2
Trading	2.1	5.0	(2.9)	2.5	4.8	(2.3)
Processing	7.2	14.7	(7.5)	4.9	16.8	(11.9)
Average Gross Profit Margin	7.3	9.4	(2.1)	7.3	10.9	(3.6)
Zipper Segment Gross Profit Margin	9.0	8.3	0.7	9.2	10.0	(0.8)

NM: Not Meaningful

6M2013 vs. 6M2012

Revenue

The Group's revenue increased by RMB 32.4 million (or 13%) to RMB 288.6 million. The increase was due mainly to the increase in revenue of the Trading segment (RMB 40.1 million). This was partially offset by the decrease in revenue contributions from the Zipper Chains (RMB 4.0 million) and Zipper Sliders (RMB 4.6 million) (collectively referred as the "Zippers segment") and the Processing segment (RMB 2.8 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 and the Processing segment in 6M2013 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 average selling prices in the Zipper segment had decreased by 11% per kg while the sales volume had increased by 8%.

The Group's trading segment relates to the sourcing and buying of certain raw materials in accordance to customers' requirements. The profit margin and all purchases are based on confirmed sales, i.e. the Group does not hold any inventories. As such, the volume of trading depends on the opportunities available so as the profitability and price movements which are dependent on customers' demand for raw materials. The increase in revenue from the Trading segment was due to an increase in sales orders from customers during 6M2013, as a result of lower selling price.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 6.8 million (or 24%) to RMB 21.2 million. The decrease was due mainly to the increases in wages, as a result of an increase in basic salary due to the statutory requirement in the PRC.

Average gross profit margin decreased by 3.6 percentage points to 7.3% due to the decrease in gross profit margin from the Zipper segment in 6M2013. This was attributable to the increase in labor cost and a deteriorating market for the zipper industry in the PRC, resulting in the Group reducing its selling prices to retain customers' orders.

Other income and other expenses

Other income comprises government subsidies, and rental income while other expenses consist mainly of foreign exchange losses. The net expenses represented the increase in foreign exchange loss as a result of the depreciation of USD and SGD against RMB arising from the balance in the Company's bank account.

Selling and distribution expenses

Selling and distribution expenses increased by RMB 0.2 million (or 5%) to RMB 4.1 million. The increase was due mainly to an increase in staff costs as basic salary increased due to the statutory requirement in the PRC.

General and administrative expenses

General and administrative expenses at RMB 38.3 million were comparable to 6M2012 as a result of effective cost control measures undertaken by the Group.

The Group's inventory was written down RMB 3.0 million as a result of its lower net realizable value when compared with recent market price.

Finance income and expenses
Finance expenses increased by RMB 1.8 million (or 101%) to RMB 3.5 million. This was attributable to the increase in short-term loans, and bill transactions with banks. Finance income increased by RMB 0.3 million (or 30%) to RMB 1.1 million was due mainly to the increase in cash and bank balance.

Tax expense

	Group		
	6 months Ended 30/6/2013 Uaudited	**6 months Ended 30/6/2012 Uaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	1,094	2,875	(62)
Deferred tax[2]	296	544	(46)
Tax expense	1,390	3,419	(59)

NM: Not Meaningful

Notes
[1] Current tax decreased by RMB 1.8 million or 62% due to a decrease in taxable profit before taxation in 6M2013

[2] 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%.

2Q2013vs. 2Q2012 (3 months)

Revenue
The Group's revenue increased by RMB 9.1 million (or 7%) to RMB 147.3 million. The increase was due mainly to the increase in revenue of the Trading segment (RMB 26.6 million). This was partially offset by the decrease in revenue contributions from the Zipper Chains (RMB 12.1 million), and the Zipper Sliders (RMB 5.8 million) and the Processing segment (RMB 0.7 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 from the Zipper segment and the Processing segment in 2Q2013 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 average selling prices in the Zipper segment had decreased by 6% per kg while the sales volume had decreased by 9%.

The increase in revenue from the Trading segment was due to an increase in sales orders from customers during 2Q2013, as a result of lower selling prices.

Gross Profit and Gross Profit Margin
The Group's gross profit decreased by RMB 2.2 million (or 17%) to RMB 10.8 million. The decrease in gross profit was due mainly to the decrease in revenue.

Average gross profit margin decreased by 2.1% percentage points to 7.3% due to a decrease in gross profit margin from the Trading segment in 2Q2013 as a result of lower selling prices.

Other income and other expenses
Other income comprises government subsidies and rental income while other expenses consist mainly of foreign exchange losses. The net expenses represented the increase in foreign exchange loss as a result of the depreciation of USD and SGD against RMB arising from the balance in the Company's bank account.

Selling and distribution expenses
Selling and distribution expenses at RMB2.1 million was comparable to 2Q2012 as a result of effective cost control measures undertaken by the Group.

General and administrative expenses
General and administrative expenses at RMB 20.6 million were comparable to 3Q2012 as a result of effective cost control measures undertaken by the Group.

The Group's inventory was written down as a result of its lower net realizable value when compared with recent market price.

The increase in allowance for doubtful debts was due mainly to the requests from some customers for a longer credit period because of the economic slow down in the PRC. According to the Group's accounting policy for allowance for doubtful debts, the extended credit period will be prudently accounted for as allowance for doubtful debts. These customers are however not the Group's major customers.

Finance income and expenses
Finance expenses increased by RMB 1.1 million (or 123%) to RMB 2.0 million. This was attributable to the increase in short-term loans and bill transactions with banks. Finance income decreased by RMB 0.1 million to RMB 0.6 million due mainly to a decrease in interest income from the fixed bank deposits balance.

Tax expense

	Group		
	3 months Ended 30/6/2013 Unaudited	**3 months Ended 30/6/2012 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	566	941	(40)
Deferred tax[2]	162	150	8
Tax (reversal) / expense	728	1,091	(33)

NM: Not Meaningful

Notes
[1] Current tax decreased by RMB 0.4 million or 40% due to a decrease in taxable profit before taxation in 2Q2013.

[2] 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 POSITIION

Non-current assets
As at 30 June 2013, non-current assets amounted to RMB 878.7 million comprising property, plant and equipment, investment property, land use rights, intangible assets and prepayments.

The Group's property, plant and equipment amounted to RMB 354.1 million, a decrease of 1% (or RMB 5.0 million) compared to RMB 359.1 million as at 31 December 2012. The decrease was due mainly to depreciation expenses.

The increase in investment property was due to the commencement of the construction of Xiamen headquarter project in 1Q2013.

The decrease in intangible assets was due mainly to the amortization expenses of intangible assets for 6M2013

Current assets
As at 30 June 2013, current assets amounted to RMB 617.2 million, an increase of 15% (or RMB 79.5 million) compared to RMB 537.6 million as at 31 December 2012. This was due largely to an increase in inventories, cash and bank balances which were offset by the decrease in prepayments, trade and other receivables.

Inventories increased by RMB 40.8 million due to a buildup of inventory as a result of the decline in sales in 2Q2013 while production still continued on an optimal scale to cover its manufacturing overheads. Moreover, the Group will hold a 3-month raw materials requirement for purpose of production efficiency compared to 2-month raw materials requirement as at 31 December 2012.

Trade and other receivables decreased by RMB 14.6 million was in line with the decrease in revenue from the Zipper segment.

The decrease in prepayments to suppliers was due mainly to the decrease in advances made to certain suppliers. For advances to suppliers, the Group will secure signed supply agreements with its various suppliers. The advance payments in the supply agreements are calculated based on a certain percentage of the total contract price.

Cash and bank balances declined from RMB 185.3 million to RMB 251.4 million due mainly to the increase in short-term bank loans.

Current liabilities
As at 30 June 2013, total current liabilities were RMB 515.2 million, an increase of 26% (or RMB 107.8 million) compared to RMB 407.4 million as at 31 December 2012. This was mainly attributable to the increase in trade payables, bills payable to banks, short-term bank loans, and amount due to directors. The increase was offset by the decrease in income tax payables, other payables and accruals.

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

Other payables and accruals decreased due to the decrease in advances received from customers.

Short-term bank loans and bank overdraft increased due to a new short-term bank loans and banking facilities obtained from China CITIC Bank and Hang Seng Bank, please refer to page 3 for further information.

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

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 6M2013 amounted to RMB 22.7 million while net cash flows used in operating activities in 6M2012 amounted to RMB 41.4 million. This was due mainly to the decrease in prepayments, trade and other receivables and increase in trade payables and amount due to a director.

Net cash flows used in operating activities in 2Q2013 amounted to RMB 28.0 million while net cash flows generated from operating activities in 2Q2012 amounted to RMB 23.9 million. This was due mainly to increase in inventories and decrease in other payables.

Investing activities

Net cash flows used in investing activities in 6M2013 amounted to RMB 33.7 million compared to RMB 84.2 million in 6M2012, and in 2Q2013 amounted to RMB 25.2 million compared to RMB 58.4 million in 2Q2012, was due to a decrease in purchase of property, plant and equipment.

Financing activities

Net cash flows generated from financing activities in 6M2013 amounted to RMB 62.8 million while net cash flows used in financing activities in 6M2012 amounted to RMB 5.3 million. Net cash flows generated from financing activities in 2Q2013 amount to RMB 67.8 million while net cash flows used in financing activities in 2Q2012 amounted to RMB 4.8 million. This was due mainly to a new short-term bank loan and banking facilities obtained from China CITIC Bank and Hang Seng Bank, please refer to page 3 for further information.

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 2Q2013 and 6M2013 is in line with the commentary made in item 10 of the Company's results announcement dated 30 April 2013.

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 30 June 2013, 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 margins. Apart from the challenging and competitive business environment, the Group also faces weak demand for zippers as most of its customers are still holding a high level of inventories in their warehouses. As such, the Group had to lower its selling prices to retain its customers and in an attempt to increase sales orders.

The average utilization rates of the Group's production facilities in 6M2013 for zipper chains and zipper sliders were approximately 85% and 59% 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 next twelve months. The Group expects the slowing economic growth in the PRC, uncertainties for export sales, as well as 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.

Update on Construction progress of the Company's Xiamen Headquarter

The foundation work and construction planning for the Company's Xiamen Headquarter had been completed. The main construction work will commence in the 3rd quarter of 2013.

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

13 August 2013

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 2013 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: 13 August 2013