

**FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

**QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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 Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2013 .These figures have not been audited.

	<b>Group</b>		
	<b>3 months Ended 31/3/2013 Unaudited</b>	<b>3 months Ended 31/3/2012 Unaudited</b>	<b>Increase/ (Decrease)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue</b>	141,321	118,000	20
Cost of sales	(130,957)	(103,018)	27
Gross profit	10,364	14,982	(31)
Other income and expenses	3	319	(99)
Selling and distribution expenses	(1,941)	(1,737)	12
General and administrative expenses	(17,672)	(16,588)	7
<b>Loss from operating activities</b>	(9,246)	(3,024)	206
Finance income	544	136	300
Finance expense	(1,485)	(838)	77
<b>Loss before taxation</b>	(10,187)	(3,726)	173
Tax expense	(662)	(2,328)	(72)
<b>Net loss for the period attributable to shareholders</b>	(10,849)	(6,054)	79

**Statement of Comprehensive Income/(Loss)**

Net loss attributable to shareholders	(10,849)	(6,054)	79
<b>Other comprehensive income for the period</b>			
Exchange differences on translating foreign operations	455	17	2576
<b>Total comprehensive loss for the period attributable to shareholders</b>	(10,394)	(6,037)	72

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

Allowance for doubtful trade receivables	958	3,670	(74)
Amortisation of land use rights	312	230	36
Amortisation of intangible assets	4,562	4,001	14
Depreciation of property, plant and equipment	10,431	9,450	10
Foreign exchange loss, net	687	64	973
Salaries and bonuses	17,113	12,537	36

NM: Not Meaningful

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

	Group		Company	
	31/3/2013 Unaudited	31/12/2012 Audited	31/3/2013 Unaudited	31/12/2012 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	350,037	359,114	-	-
Investment properties	281,450	274,318	-	-
Land use rights	44,980	45,292	-	-
Intangible assets	188,675	193,237	-	-
Prepayments	3,809	3,809		
Investment in subsidiaries	-	-	344,853	344,853
	868,951	875,770	344,853	344,853
<b>Current assets</b>				
Inventories	53,479	56,731	-	-
Trade and other receivables	185,424	184,570	2	2
Prepayments	31,510	42,150	-	-
Amount due from subsidiaries (non-trade)	-	-	472,679	474,226
Fixed deposits	61,311	68,873	-	-
Cash and bank balances	225,302	185,325	940	994
	557,026	537,649	473,621	475,222
<b>Total assets</b>	1,425,977	1,413,419	818,474	820,075
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	20,972	14,563	-	-
Bills payable to banks	109,261	110,374	-	-
Other payables & accruals	182,737	157,158	1,816	1,533
Amount due to directors (non-trade)	5,468	3,121	2,625	2,040
Amount due to related companies (non-trade)	-	-	100	100
Short-term bank loans	97,678	110,459	-	-
Bank overdrafts	9,676	6,897	-	-
Income tax payable	4,464	4,813	-	-
<b>Total current liabilities</b>	430,256	407,385	4,541	3,673
<b>Non-current liabilities</b>				
Deferred tax liabilities	55,397	55,316	-	-
	55,397	55,316	-	-
<b>Total liabilities</b>	485,653	462,701	4,541	3,673
<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	62,544	62,544	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	406	(49)	-	-
Accumulated profits	189,513	200,362	8,194	10,663
<b>Total equity</b>	940,324	950,718	813,933	816,402
<b>Total equity and liabilities</b>	1,425,977	1,413,419	818,474	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 31 March 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 <sup>1</sup>	24,261	-	15,374	-
- China CITIC Bank <sup>2</sup>	60,000	-	70,000	-
- China Construction Bank <sup>3</sup>	25,000	-	25,000	-
Short-term bank loans				
- Shanghai Rural Commercial Bank <sup>3</sup> Bank <sup>4</sup>	-	-	12,000	-
- China CITIC Bank <sup>2</sup>	40,000	-	40,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch <sup>5</sup>	8,000	-	8,000	-
- East West Bank <sup>6</sup>	28,347	-	28,459	-
- Industrial and Commercial Bank of China <sup>7</sup>	21,331	-	22,000	-
Bank overdrafts <sup>8</sup>	9,676	-	6,897	-

**Notes:**

- <sup>1</sup> RMB 24.3 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> Bills payable RMB 60.0 million and short-term bank loan 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, Shenhui Town, Jinjiang City, Fujian Province, The PRC. and personal guarantee from related party - Mr. Hong Qing Liang (CEO), and corporate guarantee from related party Jinjiang Fuxing Dress Co. Ltd. and independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.
- <sup>3</sup> RMB 25 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, Shenhui Town, Jinjiang City, Fujian Province, PRC. and personal guarantee from related party - Mr. Hong Qing Liang (CEO), and Ms Shi MeiMei
- <sup>4</sup> RMB 12.0 million was settled in 1Q2013.
- <sup>5</sup> 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 related party - Mr. Hong Qing Liang (CEO), and corporate guarantee from a related party - Jinjiang Fuxing Dress Co. Ltd., and independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.
- <sup>6</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>7</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>8</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 5.8 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>9</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.

	<b>3 months Ended 31/3/2013 Unaudited RMB'000</b>	<b>3 months Ended 31/3/2012 Unaudited RMB'000</b>
<b>OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(10,187)	(3,726)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	10,431	9,450
Amortisation of land use rights	312	230
Amortisation of intangible assets	4,562	4,001
Allowance for doubtful trade receivables	958	3,670
Interest expense	1,485	838
Interest income	(544)	(136)
Foreign currency differences	257	19
Total adjustments	17,461	18,072
<b>Operating cash flows before changes in working capital</b>	<b>7,274</b>	<b>14,346</b>
<u>(Increase) Decrease in:</u>		
Inventories	3,252	(7,741)
Trade and other receivables	(1,812)	(26,033)
Prepayments	10,640	(85,749)
<u>Increase (Decrease) in:</u>		
Trade payables	6,409	24,646
Other payables & accruals	24,466	7,549
Due to directors	2,347	8,234
Total changes in working capital	45,302	(79,094)
<b>Cash flows (used in)/generated from operations</b>	<b>52,576</b>	<b>(64,748)</b>
Interest expense paid	(1,485)	(838)
Interest income received	544	136
Income tax refunded/(paid)	(930)	185
<b><u>Net cash (used in)/generated from operating activities</u></b>	<b>50,705</b>	<b>(65,265)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,354)	(20,990)
Construction of investment properties	(7,132)	(4,821)
<b><u>Net cash used in investing activities</u></b>	<b>(8,486)</b>	<b>(25,811)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of loans and borrowings	(12,582)	(569)
Decrease/(increase) in fixed deposits pledged to banks	7,562	3
<b><u>Net cash used in financing activities</u></b>	<b>(5,020)</b>	<b>(566)</b>
<b>NET ( DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>37,199</b>	<b>(91,642)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>178,427</b>	<b>224,156</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>215,626</b>	<b>132,514</b>

## Notes to the combined statement of cash flows

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

	<b>3 months Ended 31/3/2013 Unaudited RMB'000</b>	<b>3 months Ended 31/3/2012 Unaudited RMB'000</b>
Fixed deposits	61,311	79,195
Cash and bank balances	225,302	84,276
	286,613	163,471
Less: bank overdraft	(9,676)	(8,301)
fixed deposits (pledged)	(61,311)	(22,656)
<b>Cash and cash equivalents</b>	<b>215,626</b>	<b>132,514</b>

Fixed deposits amounting to RMB 61,311,000 (2012: 22,656,000) are pledged to banks for the Group's bills payable to banks, short-term loans and bank overdrafts.

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

<u>Group</u>	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Contributed surplus RMB'000	Restructuring reserve <sup>1</sup> RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<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 income for the period	-	-	-	-	-	17	(6,054)	(6,037)
<b>Closing balance at 31 March 2012</b>	772,574	(6,408)	61,690	39,573	(117,878)	(1,151)	368,438	1,116,838
<b>At 1 January 2013</b>	772,574	(6,408)	62,544	39,573	(117,878)	(49)	200,362	950,718
Total comprehensive loss for the period	-	-	-	-	-	455	(10,849)	(10,394)
<b>Closing balance at 31 March 2013</b>	772,574	(6,408)	62,544	39,573	(117,878)	406	189,513	940,324
<b><u>Company</u></b>								
<b>At 1 January 2012</b>	772,574	(6,408)	-	39,573	-	-	18,175	823,914
Total comprehensive loss for the period	-	-	-	-	-	-	(1,505)	(1,505)
<b>At 31 March 2012</b>	772,574	(6,408)	-	39,573	-	-	16,670	822,409
<b>At 1 January 2013</b>	772,574	(6,408)	-	39,573	-	-	10,663	816,402
Total comprehensive loss for the period	-	-	-	-	-	-	(2,469)	(2,469)
<b>At 31 March 2013</b>	772,574	(6,408)	-	39,573	-	-	8,194	813,933

**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 first quarter ended 31 March 2013, there were no shares acquired.

Convertibles

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

	31 March 2013	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 31 March 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 31 March 2013	13,886,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 March 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 of the financial statements for the first quarter ended 31 March 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 and revised FRS and INT FRS does not have any material financial impact on the Group's and Company's financial statements for the first quarter ended 31 March 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.**

Earnings per ordinary share of the group, after deducting any provision for preference dividends (in RMB cents):	Group	
	3 months Ended 31/3/2013	3 months Ended 31/3/2012
(a) Basic and	(1.3)	(0.7)
(b) On a fully diluted basis	(1.3)	(0.7)

*Note: Basic earnings per share is computed based on weighted average number of shares in issue as at 31 March 2013: 860,272,000 ordinary shares (2012: 860,272,000).*

*For the quarter ended 31 March 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 31 March 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	
	31/3/2013	31/12/2012	31/3/2013	31/12/2012
Net asset value per ordinary share based on issued share capital at the end of the period (in RMB): (Number of ordinary shares in issue as at 31/3/2013 : 860,272,000 (as at 31/3/2012 : 860,272,000 shares)	1.09	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		
	3 months Ended 31/3/2013 Unaudited	3 months Ended 31/3/2012 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%
Zipper Chain	78,393	70,336	11
Zipper Slider	19,328	18,093	7
Trading	30,477	16,209	88
Processing	15,484	17,603	(12)
Inter-segment sales	(2,361)	(4,241)	(44)
Total Group Revenue	141,321	118,000	20

#### **COST OF SALES**

Zipper Chain	71,592	60,313	19
Zipper Slider	17,035	17,303	(2)
Trading	29,524	15,437	91
Processing	15,167	14,206	7
Inter-segment sales	(2,361)	(4,241)	(44)
Total Group Cost of Sales	130,957	103,018	27

#### **GROSS PROFIT**

Zipper Chain	6,801	10,023	(32)
Zipper Slider	2,293	790	190
Trading	953	772	23
Processing	317	3,397	(91)
Total Gross Profit	10,364	14,982	(31)

#### **GROSS PROFIT MARGIN**

	%	%	% pts
Zipper Chain	8.7	14.3	(5.6)
Zipper Slider	11.9	4.4	7.5
Trading	3.1	4.8	(1.6)
Processing	2.0	19.3	(17.3)
Average Gross Profit Margin	7.3	12.7	(5.4)
Zipper Segment- Gross Profit Margin	9.3	12.2	(2.9)

## **1Q2013 vs. 1Q2012**

### **Revenue**

The Group's revenue increased by RMB 23.3 million (or 20%) to RMB 141.3 million. The increase in revenue was due mainly to the increase in sales of the Zipper Chains (RMB 8.1 million) and Zipper Sliders (RMB 1.2 million) (collectively referred as the "Zippers segment") and the Trading segment (RMB 14.3 million). This was partially offset by the decrease in revenue contributions from the processing segment (RMB 2.1 million).

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

The increase in revenue from the Zippers Segment in 1Q2013 was attributable to the increase in quantity sold to both local customers and overseas customers as a result of lower selling prices. The average selling prices had decreased by 14 % per kg.

The increase in revenue from the Trading segment was due to an increase in sales orders during 1Q2013, as a result of lower average selling prices.

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

The Group's gross profit decreased by RMB 4.6 million (or 31%) to RMB 10.4 million. The decrease in gross profit was due mainly to the increase in wages, as a result of an increase in basic salary due to the statutory requirement in the PRC, and the increase in depreciation expense in cost of sales.

Average gross profit margin decreased by 5.6 percentage points to 8.7% due to the decrease in gross profit margin from the Zipper segment in 1Q2013. This was attributable to 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 selling prices to retain customers' orders.

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

Other income comprises rental income while other expenses consist mainly of foreign exchange loss. The net decrease was due mainly to 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 12%) to RMB 1.9 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 increased by RMB 1.1 million (or 7%) to RMB17.7 million. This was mainly due to the RMB 1.9 million of provision for social security contribution for 1Q2013.

## Finance income and expenses

Finance expenses increased by RMB 0.6 million (or 77%) to RMB 1.5 million. This was attributable to the increase in short-term bank loan and bill transactions with banks. Finance income increased by RMB 0.4 million to RMB 0.5 million. This was due mainly to the increase in cash and bank balances.

### Income tax expense

	Group		
	3 months Ended 31/3/2013 Unaudited	3 months Ended 31/3/2012 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax <sup>1</sup>	528	1,934	(73)
Deferred tax <sup>2</sup>	134	394	(66)
Income tax expense	662	2,328	(72)

NM: Not Meaningful

### Notes

<sup>1</sup> Current tax decreased by RMB 1.4 million or 73% due to a decrease in profit before taxation in 1Q2013.

<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 onwards shall be subject to withholding tax on distribution to foreign investors. Accordingly, the Group has provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008. As Jade Star (the PRC's subsidiaries' immediate holding Company) was incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

## FINANCIAL POSITION

### Non-current assets

As at 31 March 2013, non-current assets amounted to RMB 869.0 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 350.0 million, a decrease of 3% (or RMB 9.1 million) compared to RMB359.1 million as at 31 December 2012. The decrease was due mainly to depreciation expenses.

The increases in investment properties were due to the commencement of the construction of Xiamen headquarter project in 1Q2013.

The decreases in intangible assets were due to the amortization expenses.

### Current assets

As at 31 March 2013, current assets amounted to RMB 557.0 million. Current assets increased by RMB 19.4 million (or 4%) compared to RMB537.6 million as at 31 December 2012. This was largely due to an increase in trade and other receivables, cash and bank balances which was partially offset by the decrease in inventories, prepayment to suppliers and bank deposits.

Inventory decreased by RMB 3.3 million or 6% was due mainly to an increase in sales orders in March 2013 as a result of lower selling prices.

The decrease in prepayments to suppliers was due mainly to the decrease in advances made to suppliers. In dealing with the suppliers, the Group will sign supply agreements with various suppliers. The supply agreements include advance payments which will be calculated based on certain percentage of the total contract price in order to secure the supplies. The Group will make the advance payments to the suppliers after the supply agreements have been signed.

Cash and bank balances increased from RMB 185.3 million to RMB 225.3 million due mainly to the increase in short-term bank loans.

### **Current liabilities**

The increase in current liabilities of RMB22.9 million or 6% from RMB407.4 million as at 31 December 2012 to RMB430.3 million as at 31 March 2013 was due to the increase in trade payables, other payables and accruals, bank overdrafts and amount due to a director.

The increase in trade payables was due to an increase in purchase of raw materials in March 2013, ie after Lunar New Year. Other payables & accruals increased due to the increase in advances received from customers.

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 later, the Company would pay the amount back to him. This arrangement was undertaken as the local government of Xiamen Island will charge interest tax on all monies transferred from other location within the PRC but there is no such charge on remittance from Hong Kong and other foreign countries.

### **Non-current liabilities**

Non-current liabilities comprise deferred tax liabilities. The increase in deferred tax liabilities was due mainly to the increase in withholding tax as explained above under the note for tax expense.

## **CASH FLOW**

### **Operating activities**

Net cash flows generated from operating activities in 1Q2013 amounted to RMB 50.7 million while cash flows used in operating activities in 1Q2012 amounted to RMB 65.3 million. This was due mainly to the increase in trade payables, other payables and decrease in prepayment to suppliers.

### **Investing activities**

Net cash flows used in investing activities in 1Q2013 amounted to RMB8.5 million compared to RMB 25.8 million in 1Q2012, due mainly to the acquisition of plant and machineries in 1Q2012

## Financing activities

Net cash flows used in financing activities in 1Q2013 amounted to RMB 5.0 million compared to RMB 0.6 million in 1Q2012 mainly due to the repayment of short-term bank loans in 1Q2013.

**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 4Q2012 results announcement released to SGX-ST on 28 February 2013, 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 2013.

The performance for 1Q2013 is line with the Company's commentary in paragraph 10 of the results announcement dated 28 February 2013.

The decrease in revenue contributions from the Processing Segment in 1Q2013 mentioned in the first paragraph of item 8 was in line with the Company's announcement on "Reply to SGX's Queries" released to SGX-ST on 12 March 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 first quarter ended 31 March 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. Arising from the challenging and competitive business environment, the Group faced weak demand for zippers as most of the Group's customers still hold high levels of inventories in their warehouses. As such, the Group had to lower selling prices to retain customers and increase sales orders.

The average utilization rates of the Group's production facilities in 1Q2013 for zipper chains and zipper sliders were approximately 86% and 13% 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 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 Director & CEO

30 April 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 first quarter ended 31 March 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: 30 April 2013