

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014.

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 2014. These figures have not been audited.

	Group		Group			
	3 months Ended 30/6/2014 Unaudited	3 months Ended 30/6/2013 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2014 Unaudited	6 months Ended 30/6/2013 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue						
Cost of sales	160,074 (145,519)	147,257 (136,465)	9 7	267,268 (240,647)	288,578 (267,422)	(7) (10)
Gross profit	14,555	10,792	35	26,621	21,156	26
Other income and expenses	1,688	(3,239)	NM	3,517	(3,236)	NM
Selling and distribution expenses	(1,512)	(2,141)	(29)	(3,137)	(4,082)	(23)
General and administrative expenses	(14,045)	(20,625)	(32)	(28,084)	(38,297)	(27)
Loss from operating activities						
Finance income	686	(15,213)	NM	(1,083)	(24,459)	(96)
Finance expense	551 (1,904)	555 (2,017)	(1) (6)	1,094 (3,649)	1,099 (3,502)	0 4
Loss before taxation	(667)	(16,675)	(96)	(3,638)	(26,862)	(86)
Income tax expense	(1,563)	(728)	115	(4,648)	(1,390)	234
Loss for the period attributable to shareholders	(2,230)	(17,403)	(87)	(8,286)	(28,252)	(71)

Statement of Comprehensive Income

Loss attributable to shareholders

Other comprehensive (loss)/income for the period

Item that may be reclassified subsequently to profit or loss

Exchange differences on translating foreign operations

Total comprehensive loss for the period attributable to shareholders

(2,230)	(17,403)	(87)	(8,286)	(28,252)	(71)
(97)	2,222	NM	(1,719)	2,677	NM
(2,327)	(15,181)	(85)	(10,005)	(25,575)	(61)

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

Allowance for doubtful trade receivables

4,396	4,729	(7)	9,232	5,687	62
273	304	(10)	433	616	(30)
4	4,562	(99)	123	9,125	(99)
9,496	10,539	(10)	19,049	20,970	(9)
-	3,000	NM	-	3,000	NM
(109)	4,087	NM	(1,596)	4,774	NM
20,679	15,973	29	34,533	33,086	4

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	
	30/6/2014 Unaudited	31/12/2013 Audited	30/6/2014 Unaudited	31/12/2013 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	307,531	324,850	-	-
Investment properties	247,069	234,890	-	-
Land use rights	34,466	34,899	-	-
Intangible assets	9	131	-	-
Prepayments	2,903	2,529	-	-
Investment in subsidiaries	-	-	344,853	344,853
	591,978	597,299	344,853	344,853
Current assets				
Inventories	83,687	64,888	-	-
Trade and other receivables	209,176	215,493	2	2
Prepayments	80,530	77,843	-	-
Amount due from subsidiaries (non-trade)	-	-	465,330	465,933
Fixed deposits	46,693	66,482	-	-
Cash and bank balances	244,589	253,016	444	613
	664,675	677,722	465,776	466,548
Total assets	1,256,653	1,275,021	810,629	811,401
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	9,279	8,643	-	-
Bills payable to banks	113,698	149,743	-	-
Other payables & accruals	134,624	179,785	1,241	1,279
Amount due to directors (non-trade)	7,396	5,704	4,568	3,980
Amount due to related companies (non-trade)	-	-	-	100
Short-term bank loans	202,876	142,724	-	-
Bank overdrafts	7,794	-	-	-
Income tax payable	5,447	5,704	-	-
Total current liabilities	481,114	492,303	5,809	5,359
Non-current liabilities				
Deferred tax liabilities	55,502	52,676	-	-
	55,502	52,676	-	-
Total liabilities	536,616	544,979	5,809	5,359
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	63,502	63,502	-	-
Restructuring reserve	(117,878)	(117,878)	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Translation reserve	1,669	3,388	-	-
Accumulated (losses) /profits	(32,995)	(24,709)	(919)	303
Total equity	720,037	730,042	804,820	806,042
Total equity and liabilities	1,256,653	1,275,419	810,629	811,401

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 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks				
- China CITIC Bank ¹	65,000	-	80,000	-
- China Construction Bank ²	25,000	-	40,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	8,600	-	14,810	-
- Hang Seng Bank ⁴	15,098	-	14,933	-
Short-term bank loans				
- China CITIC Bank ¹	50,000	-	50,000	-
- Industrial and Commercial Bank of China – Longhu Jinjiang Branch ³	8,000	-	8,000	-
- Hang Seng Bank ⁴	15,876	-	15,724	-
- China Construction Bank Dongqu Branch ⁵	110,000	-	50,000	-
- Fujian Jinjiang Agricultural Bank – Longhu Branch ⁶	19,000	-	19,000	-
Bank overdraft				
- Hang Seng Bank ⁴	7,794	-	-	-

Notes:

¹ The bills payable of RMB 65.0 million and short-term bank loan of RMB50.0 million were secured by bank deposits of Jinjiang Fookhing Zipper Co. Ltd., and certain land and buildings owned by Jinjiang Jianxin Weaving Co. Ltd., located at Donghaian Development Zone, Shenu Town, Jinjiang City, Fujian Province, the People's Republic of China ("The PRC"), and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantees from a subsidiary, Jinjiang Fuxing Dress Co. Ltd. and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

² RMB 25 million bills payable was secured by bank deposits of Jinjiang Fuxing Dress Co. Ltd., and certain land and buildings owned by Fulong Zipper and Weaving Co., Ltd., located at Donghaian Comprehensive Development Zone, Shenu Town, Jinjiang City, Fujian Province, PRC., and personal guarantee from related parties - Mr. Hong Qing Liang (Executive Chairman and CEO), and Ms Shi MeiMei (spouse of Mr. Hong Qing Liang)

³ The bills payable of RMB 8.6 million and the short-term bank loan of RMB 8.0 million were secured by certain land and buildings owned by Jinjiang Fookhing Zipper Co. Ltd., located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC, a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), corporate guarantees from a subsidiary - Jinjiang Fuxing Dress Co. Ltd., and an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

⁴ The bills payable of RMB 15.1 million, the short-term loan of RMB 15.9 million and the bank overdraft of RMB 7.8 million were secured by a charge over investment property (13th floor which is the top floor) owned by Pretty Limited and part of the 12th floor, the Staircase of Tower A, Mandarin Plaza, No 14 Science Museum Road, Kowloon, rental receipt arising from the mortgaged property, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

Pretty Limited is wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).

⁵ This loan was secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd., located at northeast to the junction of Tai Dong Road and Tai Nan Road, 03-07 Guanyin Shan, Siming District, Xiamen, PRC.

⁶ This loan was guaranteed by personal guarantees from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party - Mr. Wu Yuan Yang and a corporate guarantee from an independent third party - Jinjiang Yuanda Garment Weaving Co. Ltd.

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 30/6/2014 Unaudited RMB'000	3 months Ended 30/6/2013 Unaudited RMB'000	6 months Ended 30/6/2014 Unaudited RMB'000	6 months Ended 30/6/2013 Unaudited RMB'000
OPERATING ACTIVITIES				
Loss before taxation	(667)	(16,675)	(3,638)	(26,862)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	9,496	10,539	19,049	20,970
Amortisation of land use rights	273	304	433	616
Amortisation of intangible assets	4	4,562	123	9,125
Allowance for doubtful trade receivables	4,396	4,729	9,232	5,687
Inventory written down	-	3,000	-	3,000
Loss on disposal of property, plant and equipment	67	-	67	-
Interest expense	1,904	2,016	3,649	3,502
Interest income	(550)	(555)	(1,094)	(1,099)
Foreign currency loss	(83)	1,546	(1,567)	1,801
Total adjustments	15,506	26,141	29,892	43,602
Operating cash flows before changes in working capital	14,840	9,466	26,254	16,740
(Increase) Decrease in:				
Inventories	9,699	(47,060)	(18,800)	(43,808)
Trade and other receivables	9,468	10,735	(2,915)	8,923
Prepayments	(19,873)	2,071	(2,687)	12,711
<u>Increase (Decrease) in:</u>				
Trade payables	(3,971)	7,248	636	13,657
Other payables & accruals	(10,331)	(25,949)	(81,206)	(1,484)
Due to directors	300	17,388	1,692	19,735
Total changes in working capital	(14,708)	(35,567)	(103,280)	9,734
Cash flows generated from /(used in) operations	132	(26,101)	(77,026)	26,474
Interest expense paid	(1,904)	(2,016)	(3,649)	(3,502)
Interest income received	551	555	1,094	1,099
Income tax paid	(652)	(454)	(2,078)	(1,384)
Net cash generated from /(used in) operating activities	(1,873)	(28,016)	(81,659)	22,687
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,287)	(14,033)	(2,171)	(15,387)
Purchase of investment properties	(8,448)	(11,135)	(12,179)	(18,267)
Net cash used in investing activities	(9,735)	(25,168)	(14,350)	(33,654)
FINANCING ACTIVITIES				
Proceeds from loans and borrowings	-	75,932	60,000	75,932
Repayments of loans and borrowings	-	(577)	-	(13,159)
(Increase) / Decrease in fixed deposits pledged to banks	4,058	(7,516)	19,788	47
Net cash generated from financing activities	4,058	67,839	79,788	62,820
NET INCREASE / DECREASE IN CASH & CASH EQUIVALENTS	(7,550)	14,655	(16,221)	51,853
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	244,345	215,626	253,016	178,428
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	236,795	230,281	236,795	230,281

Note A:

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

	6 months Ended 30/6/2014 Unaudited RMB'000	6 months Ended 30/6/2013 Unaudited RMB'000
Fixed deposits	46,693	68,826
Cash and bank balances	244,589	251,408
	<hr/>	<hr/>
Less: Bank overdraft	(7,794)	(5,895)
Fixed deposits (pledged)	(46,693)	(23,159)
<u>Cash and cash equivalents</u>	<u>236,795</u>	<u>230,281</u>

Fixed deposits amounting to RMB 46,693,000 (2013: 68,826,000) were 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.

<u>Group</u>	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 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
At 1 January 2014	772,574	(6,408)	63,502	39,573	(117,878)	3,388	(24,709)	730,042
Total comprehensive loss for the period	-	-	-	-	-	(1,719)	(8,286)	(10,005)
At 30 June 2014	772,574	(6,408)	63,502	39,573	(117,878)	1,669	(32,995)	720,037
Company								
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
At 1 January 2014	772,574	(6,408)	-	39,573	-	-	303	806,042
Total comprehensive loss for the period	-	-	-	-	-	-	(1,222)	(1,222)
At 30 June 2014	772,574	(6,408)	-	39,573	-	-	(919)	804,820

<u>Group</u>	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve ¹	Translation reserve	Accumulated profits / (losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 April 2014	772,574	(6,408)	63,502	39,573	(117,878)	1,766	(30,765)	722,364
Total comprehensive loss for the period	-	-	-	-	-	(97)	(2,230)	(2,327)
At 30 June 2014	772,574	(6,408)	63,502	39,573	(117,878)	1,669	(32,995)	720,037
Company								
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
At 1 April 2014	772,574	(6,408)	-	39,573	-	-	556	806,295
Total comprehensive loss for the period	-	-	-	-	-	-	(1,475)	(1,475)
At 30 June 2014	772,574	(6,408)	-	39,573	-	-	(919)	804,820

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 half year ended 30 June 2014, there were no shares acquired.

Convertibles

For the half year ended 30 June 2014, 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 2014	As at 31 December 2013
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 2014.

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 2014	13,886,000
Purchases of shares during the period	-
Total number of shares as at 30 June 2014	13,886,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2014.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors

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

Not applicable.

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 2013 have been applied in the preparation for the financial statements for the half year ended 30 June 2014.

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

The adoption of the new/revised FRS and INT FRS does not have any material financial impact on the Group's and Company's financial statements for the half year ended 30 June 2014.

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 30/6/2014	3 months ended 30/6/2013	6 months ended 30/6/2014	6 months ended 30/6/2013
(a) Basic and	(0.3)	(2.0)	(1.0)	(3.3)
(b) On a fully diluted basis	(0.3)	(2.0)	(1.0)	(3.3)

Note: Basic (loss)/earnings per share is computed based on weighted average number of shares in issue in 2014: 860,272,000 ordinary shares (2013: 860,272,000).

For the second quarter and half year ended 30 June 2014 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 2014 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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
Net asset value per ordinary share based on issued share capital at the end of the period/year (in RMB):	0.84	0.85	0.94	0.94
(Number of ordinary shares in issue as at 30/6/2014: 860,272,000 (as at 31/12/2013: 860,272,000 shares)				

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	Group			Group		
	3 months Ended 30/6/2014 Unaudited	3 months Ended 30/6/2013 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2014 Unaudited	6 months Ended 30/6/2013 Unaudited	Increase / (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper Chain	89,741	78,716	14	148,267	157,109	(6)
Zipper Slider	25,363	16,859	50	43,967	36,187	21
Trading	35,185	37,018	(5)	53,960	67,495	(20)
Processing	16,239	19,936	(19)	29,579	35,420	(16)
Inter-segment sales	(6,454)	(5,272)	22	(8,505)	(7,633)	11
Total Group Revenue	160,074	147,257	9	267,268	288,578	(7)

COST OF SALES

Zipper Chain	78,973	72,518	9	129,884	144,110	(10)
Zipper Slider	22,750	14,454	58	37,960	31,489	21
Trading	34,426	36,258	(5)	52,747	65,782	(20)
Processing	15,824	18,507	(14)	28,561	33,674	(15)
Inter-segment sales	(6,454)	(5,272)	22	(8,505)	(7,633)	11
Total Group Cost of Sales	145,519	136,465	7	240,647	267,422	(10)

GROSS PROFIT

Zipper Chain	10,768	6,198	74	18,383	12,999	41
Zipper Slider	2,613	2,405	9	6,007	4,698	28
Trading	759	760	-	1,213	1,713	(29)
Processing	415	1,429	(71)	1,018	1,746	(42)
Total Gross Profit	14,555	10,792	35	26,621	21,156	26

GROSS PROFIT MARGIN

	%	%	% pts	%	%	% pts
Zipper Chain	12.0	7.9	4.1	12.4	8.3	4.1
Zipper Slider	10.3	14.3	(4.0)	13.7	13	0.7
Trading	2.2	2.1	0.1	2.2	2.5	(0.3)
Processing	2.6	7.2	(4.6)	3.4	4.9	(1.5)
Average Gross Profit Margin	9.1	7.3	1.8	10.0	7.3	2.7
Zipper Segment Gross Profit Margin	11.6	9.0	2.6	12.7	9.2	3.5

NM: Not Meaningful

Note:

(1) The Zipper Chain segment and the Zipper Slider are sub-segments of the Zipper segment. Both the sub-segments are considered as one segment. Hence, the amount in the table is net of inter-sub-segment sales.

6M2014 vs. 6M2013

Revenue

The Group's revenue decreased by RMB 21.3 million (or 7%) to RMB 267.3 million. The decrease was due mainly to the decrease in revenue of the Zipper Chain segment (RMB 8.8 million), the Trading segment (RMB 13.5 million) and the Processing segment (RMB 5.8 million). This was partially offset by the increase in revenue contributions from the Zipper Slider segment (RMB 7.8 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 Chain segment and the Processing segment in 6M2014 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 resulted in the Group reducing its selling prices to retain customers' orders. The average selling prices in the Zipper Chain segment had decreased by 10% per kg while the sales volume had increased by 5%.

The increase in revenue from the Zipper Slider segment in 6M2014 was attributable to an increase in sales order from new customers as a result of re-organisation of the Group's sales department to develop new customers' channels.

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 decrease in revenue from the Trading segment was due to a decrease in the sales orders from customers during 6M2014.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 5.5 million (or 26%) to RMB 26.6 million. The increase was due mainly to the decrease in factory overheads incurred arising from the automation of parts of the Group's production process.

Average gross profit margin increased by 2.7 percentage points to 10.0% due to the increase in gross profit margin from the Zipper segment in 6M2014 due mainly to the cost savings arising from the automation of the Group's production process.

Other income and other expenses

Other income comprises government subsidies, write-back of bad debts written off in FY2012 as a result of successful rental collections from tenants in 2Q2014 and foreign exchange gains. The net income represented the increase in foreign exchange gain as a result of the depreciation of RMB against USD and SGD arising from the balance in the Company's bank account.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB 0.9 million (or 23%) to RMB 3.1 million. The decrease was due mainly to a decrease in staff costs as headcount reduced as a result of the re-organisation of the Group's sales department.

General and administrative expenses

General and administrative expenses decreased by RMB 10.2 million (or 27%) to RMB 28.1 million. This was mainly due to the RMB9.0 million decrease in amortization of intangible assets expense on lower intangible assets in 6M2014.

The increase in allowance for doubtful debts of RMB 3.5 million was due mainly to requests for a longer credit period from some customers who are not the Group's major customers.

Finance income and expenses

Finance expenses increased by RMB 0.1 million (or 4%) to RMB 3.6 million. This was attributable to the increase in short-term loans with banks.

Tax expense

	Group		
	6 months Ended 30/6/2014 Uaudited	6 months Ended 30/6/2013 Uaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	1,791	1,094	64
Deferred tax ²	2,857	296	865
Tax expense	4,648	1,390	234

NM: Not Meaningful

Notes :

¹ Current tax increased by RMB 0.7 million or 64% in line with the increase in profit before taxation in 6M2014.

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%.

2Q2014 vs. 2Q2013 (3 months)

Revenue

The Group's revenue increased by RMB 12.8 million (or 9%) to RMB 160.1 million. The increase was due mainly to the increase in revenue of the Zipper Chain (RMB 11.0 million), and the Zipper Slider (RMB 8.5 million). This was partially offset by the decrease in revenue contributions from the Trading segment (RMB 1.8 million) and the Processing segment (RMB 3.7 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 2Q2014 was attributable to an increase in sales orders from new customers as a result of the re-organisation of the Group's sales department to develop new customers' channels.

The decrease in revenue from the Trading segment and the Processing segment was due to a decrease in the sales orders from customers during 2Q2014.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 3.8 million (or 35%) to RMB 14.6 million. The increase in gross profit was due mainly to a decrease in the factory overheads incurred arising from the automation of parts of the Group's production process.

Average gross profit margin increased by 1.8% percentage points to 9.1% due to a increase in gross profit margin from the Zipper segment in 2Q2014 arising from the higher selling prices and the automation of parts of the Group's production process.

Other income and other expenses

Other income comprises government subsidies, write-back of bad debts written off in FY2012 as a result of successful rental collections from tenants in 2Q2014 and foreign exchange gains. The net income represented the increase in foreign exchange gain as a result of the depreciation of RMB against USD and SGD arising from the balances in the Company's bank accounts.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB 0.6 million (or 29%) to RMB 1.5 million as a result of decrease in staff costs as headcount reduced following the re-organisation of the sales department.

General and administrative expenses

General and administrative expenses decreased by RMB 6.6 million (or 32%) to RMB 14.0 million. This was mainly due to the RMB 4.6 million decrease in amortization of intangible assets expense based on lower intangible assets in 2Q2014.

Salaries and bonuses increased by 29% in 2Q2014 because of the increase in the basic wages for workers.

Finance income and expenses

Finance expenses decreased by RMB 0.1 million (or 6%) to RMB 1.9 million. This was attributable to the decrease in bills transactions with banks.

Tax expense

	Group		
	3 months Ended 30/6/2014 Unaudited	3 months Ended 30/6/2013 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	1,203	566	113
Deferred tax ²	360	162	122
Tax (reversal) / expense	1,563	728	115

NM: Not Meaningful

Notes:

¹ Current tax increased by RMB 0.6 million or 113% in line with the increase in profit before taxation in 2Q2014.

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 POSITION

Non-current assets

As at 30 June 2014, non-current assets amounted to RMB 592.0 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 307.5 million, a decrease of 5% (or RMB 17.3 million) compared to RMB 324.9 million as at 31 December 2013. The decrease was due mainly to depreciation expenses.

The increase in investment property was due to the recognition of the construction cost of the Company's Xiamen Headquarters project during 6M2014.

The decrease in intangible assets was due mainly to the amortization expenses.

The prepayment balance as at 30 June 2014 represented the deposits paid for purchases of machinery.

Current assets

As at 30 June 2014, current assets amounted to RMB 664.7 million, a decrease of 2% (or RMB 13.0 million) compared to RMB 677.7 million as at 31 December 2013. This was due largely to an increase in inventories, and prepayments which were offset by the decrease in bank deposits, cash and bank balances, trade and other receivables.

Inventories increased by RMB 18.8 million (or 29%) to RMB 83.7 million due to a build-up of inventory as a result of the decline in sales in 2Q2014 while production still continued on an optimal scale to cover its manufacturing overheads. Moreover, the Group held a 3-month raw materials requirement for the purpose of production efficiency compared to 2-month raw materials requirement as at 31 December 2013.

Trade and other receivables decreased by RMB 6.6 million (or 3%) to RMB 209.2 million was in line with the decrease in revenue from the Zipper segment.

The increase in prepayments to suppliers by RMB 2.7 million (or 3%) to RMB 80.5 million was due mainly to an increase in demand for raw materials as a result of an increase in production capacity. 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.

Bank deposits declined by RMB 19.9 million (or 30%) to RMB 46.7 million due mainly to the decrease in security for bills payables as a result of decrease in bills transactions with banks in 2Q2014.

Current liabilities

As at 30 June 2014, total current liabilities were RMB 481.1 million, a decrease of 2% (or RMB 11.2 million) compared to RMB 492.3 million as at 31 December 2013. This was mainly attributable to the decrease in bills payable to banks, income tax payable, other payables and accruals. The decrease was offset by the increase in trade payables, short term bank loans, bank overdraft, and amount due to a Director.

Trade payables increased by RMB 0.6 million (or 7%) to RMB 9.3 million due mainly to an increase in demand for raw materials as a result of an increase in production capacity.

Bills payables decreased by RMB 36.0 million (or 24%) to RMB 113.7 million due to the Group's settlement of some bills payables during 6M2014.

Other payables and accruals decreased by RMB 45.2 million (or 25%) to RMB 134.6 million due to the decrease in advances received from customers.

The short-term bank loans increased by RMB 60.2 million (or 42%) to RMB 202.9 million was due mainly to a new bank loan of RMB60 million secured for the financing of the Group's Xiamen Headquarters project.

Bank overdrafts represented the drawdown of the banking facilities from Hang Seng Bank.

The increase in the amount due to a Director was due to funds contributed by Mr Hong Qing Liang for the Group's Xiamen Headquarters 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. Remittances from Hong Kong and foreign countries are exempted from such tax.

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 used in operating activities in 6M2014 amounted to RMB 81.7 million while net cash flows generated from operating activities in 6M2013 amounted to RMB 22.7 million. This was due mainly to the increase in inventories, prepayments, trade and other receivables and decrease in other payables and accruals.

Net cash flows used in operating activities in 2Q2014 amounted to RMB 1.9 million while net cash flows used in operating activities in 2Q2013 amounted to RMB 28.0 million. This was due mainly to the decrease in inventories in 2Q2014 compared to the increase in inventories in 2Q2013.

Investing activities

Net cash flows used in investing activities in 6M2014 amounted to RMB 14.4 million compared to RMB 33.7 million in 6M2013, and in 2Q2014 amounted to RMB 9.7 million compared to RMB 25.2 million in 2Q2013, was due to the decrease in purchase of property, plant and equipment in 2Q2014 and 6M2014.

Financing activities

Net cash flows generated from financing activities in 6M2014 amounted to RMB 79.8 million compared to RMB 62.8 million in 6M2013. This was due mainly to the proceeds from short-term bank loans of RMB 60.0 million for the Xiamen Headquarters project in 1Q2014 and also the decrease in bank deposits.

Net cash flows generated from financing activities in 2Q2014 amounted to RMB 4.1 million compared to RMB 67.8 million in 2Q2013. This was due mainly to the short-term bank loan and banking facilities obtained from China CITIC Bank and Hang Seng Bank in 2Q2013 and no new bank loan obtained in 2Q2014.

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 2Q2014 and 6M2014 is in line with the commentary made in item 10 of the Company's results announcement dated 2 May 2014.

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 2014, the Group continued to operate under a highly competitive and challenging environment as the zipper industry in the PRC faces intense competition with thin profit margins. Apart from the challenging and competitive business environment, the Group also faces weak demand for zippers as most of its customers still hold a high level of inventories in their warehouses.

The average utilization rates of the Group's production facilities in 6M2014 for zipper chains and zipper sliders were approximately 68% 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 continuation of the slowdown of economic growth in the PRC, uncertainties for export sales, as well as potential cost pressures arising from rising production costs and labour costs. These factors will affect the Group's 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.

Update on Construction progress of the Company's Xiamen Headquarters.

The construction work for the Company's Xiamen Headquarters basement (comprising 4 levels) has commenced in 1Q2014 and as of to-date, the Company's Xiamen Headquarters is approximately 10% completed.

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

14 August 2014

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 2014 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
Fuxing China Group Limited

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 14 August 2014