

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38973)

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2009.
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 ended 30/06/2009. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2009 Unaudited	3 months Ended 30/6/2008 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2009 Unaudited	6 months Ended 30/6/2008 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	120,919	216,984	(44.27)	201,336	406,966	(50.53)
Cost of sales	(102,498)	(135,052)	(24.10)	(165,266)	(254,141)	(34.97)
Gross profit	18,421	81,932	(77.52)	36,070	152,825	(76.40)
Other income and expenses	288	2,050	(85.95)	647	2,170	(70.18)
Selling and distribution expenses	(979)	(1,334)	(26.61)	(1,681)	(2,259)	(25.59)
General and administrative expenses	(7,538)	(5,665)	33.06	(12,912)	(8,558)	50.88
Profit from operating activities	10,192	76,983	(86.76)	22,124	144,178	(84.66)
Interest income	1,354	14	9571.43	1,544	146	957.53
Interest expenses	(2,093)	(1,160)	80.43	(4,611)	(2,733)	68.72
Foreign exchange (loss)gain	(314)	2,379	(113.20)	(277)	2,618	(110.58)
Profit before taxation	9,139	78,216	(88.32)	18,780	144,209	(86.98)
Tax expense	(4,268)	(29,670)	(85.62)	(8,320)	(46,135)	(81.97)
Net profit attributable to shareholders	4,871	48,546	(89.97)	10,460	98,074	(89.33)

Statement of Comprehensive Income

Net profit attributable to shareholders	4,871	48,546	(89.97)	10,460	98,074	(89.33)
Other comprehensive income for the period						
Exchange differences on translating foreign operations	-	-	NM	1	-	NM
Total comprehensive income for the period attributable to shareholders	4,871	48,546	(89.97)	10,461	98,074	(89.33)

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

Allowance for (write back of allowance for) doubtful trade receivables	1,160	(1,994)	(158.17)	2,464	(1,994)	(223.57)
Amortisation of land use rights	131	81	61.73	261	144	81.25
Amortisation of intangible assets	2	27	(92.59)	4	52	(92.31)
Intangible assets written off	-	-	-	-	36	NM
Depreciation of property, plant and equipment	5,519	4,324	27.64	10,153	8,413	21
Salaries and bonuses	10,552	11,115	(5.06)	15,774	17,108	(7.80)

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	
	30/06/2009 Unaudited	31/12/2008 Audited	30/06/2009 Unaudited	31/12/2008 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	193,173	167,554	-	-
Land use rights	23,467	23,728	-	-
Intangible assets	20,504	20,508	-	-
Investment in subsidiaries	-	-	344,853	344,853
	237,144	211,790	344,853	344,853
Current assets				
Inventories	84,956	42,001	-	-
Trade receivables, net	183,880	285,560	-	-
Other receivables and prepayments	145,398	473,968	-	-
Amount due from subsidiaries (non-trade)	-	-	456,730	433,580
Fixed deposits	25,048	75,331	-	-
Cash and bank balances	530,022	286,007	-	-
	969,304	1,162,867	456,730	433,580
Total assets	1,206,448	1,374,657	801,583	778,433
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	738,707	738,707	738,707	738,707
Treasury shares	(2,307)	-	(2,307)	-
Restructuring reserve	(117,878)	(117,878)	-	-
Accumulated profits/ (losses)	360,101	357,560	24,412	(5,143)
Translation reserve	1	-	-	-
Reserve fund	37,825	37,825	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Total equity	1,056,022	1,055,787	800,385	773,137
Non-current liabilities				
Deferred tax liabilities	23,354	21,488	-	-
Current liabilities				
Trade payables	10,259	33,542	-	-
Bills payable to banks	32,736	56,935	-	-
Other payables & accruals	47,453	61,632	1,187	4,936
Amount due to directors (non-trade)	4,806	6,010	-	-
Amount due to subsidiaries (non-trade)	-	-	11	360
Short-term bank loans	15,500	111,500	-	-
Bank overdrafts	12,845	20,435	-	-
Income tax payable	3,473	7,328	-	-
Total current liabilities	127,072	297,382	1,198	5,296
Total liabilities	150,426	318,870	1,198	5,296
Total equity and liabilities	1,206,448	1,374,657	801,583	778,433

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 2009		As at 31 December 2008	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks ¹	32,736	-	56,935	-
Short-term bank loans ²	15,500	-	111,500	-
Bank overdrafts ³	12,845	-	20,435	-

Amount repayable after one year

	As at 30 June 2009		As at 31 December 2008	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable to banks	-	-	-	-
Short-term bank loans	-	-	-	-
Bank overdrafts	-	-	-	-

Notes :

¹ RMB 2.3 million is secured by bank deposits of Fuxing Textile (Shanghai) Co., Ltd; and RMB 30.4 million is secured by personal guarantee from an independent third party and corporate guarantee by Fuxing China Group Limited.

² RMB 15.5 million is pledged by certain buildings owned by Fuxing Textile (Shanghai) Co., Ltd.

³ Bank overdrafts are secured by personal guarantee from an independent third party and corporate guarantee by Fuxing China Group Limited.

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

	3 months Ended 30/6/2009 Unaudited RMB'000	3 months Ended 30/6/2008 Unaudited RMB'000	6 months Ended 30/6/2009 Unaudited RMB'000	6 months Ended 30/6/2008 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit before taxation	9,139	78,216	18,780	144,209
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	5,519	4,324	10,153	8,413
Amortisation of land use rights	131	81	261	144
Amortisation of intangible assets	2	27	4	52
Intangible assets written off	-	-	-	(36)
Allowance for (write back of allowance for) doubtful trade receivables	1,160	(1,994)	2,464	(1,994)
Interest expense	2,093	1,160	4,611	2,733
Interest income	(1,354)	(14)	(1,544)	(146)
Foreign currency gain	(17)	-	33	(241)
Total adjustments	7,534	3,584	15,982	8,925
Operating cash flows before changes in working capital	16,673	81,800	34,762	153,134
<u>(Increase) Decrease in:</u>				
Inventories	(1,378)	12,453	(42,956)	(3,985)
Trade receivables	36,037	(53,725)	99,217	(63,282)
Other receivables & prepayments	30,884	(36,270)	328,570	9,290
<u>Increase (Decrease) in:</u>				
Trade payables	1,164	(19,499)	(23,283)	(15,041)
Other payables & accruals	(6,776)	(5,836)	(14,176)	2,119
Due to related parties (non-trade)	-	(15,603)	-	(15,603)
Due to directors	(587)	(2,631)	(1,204)	669
Total changes in working capital	59,344	(121,111)	346,168	(85,833)
Cash flows generated from (used in) operations	76,017	(39,311)	380,930	67,301
Interest expense paid	(2,093)	(1,160)	(4,611)	(2,733)
Interest income received	1,354	14	1,544	146
Income tax paid	(3,223)	(16,467)	(10,310)	(36,006)
<u>Net cash generated from (used in) operating activities</u>	72,055	(56,924)	367,553	28,708
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(34,981)	(7,849)	(35,772)	(8,845)
Purchase of software	-	(40)	-	(40)
Acquisition of subsidiaries, net of cash acquired	-	-	-	146
<u>Net cash used in investing activities</u>	(34,981)	(7,889)	(35,772)	(8,739)
FINANCING ACTIVITIES				
Purchase of treasury shares	(865)	-	(2,307)	-
Proceeds from short-term bank borrowings	11,000	42,000	11,000	76,000
Repayments of short-term bank borrowings	(107,000)	(63,000)	(107,000)	(81,100)
Proceeds from bills payable	23,918	19,000	45,536	31,000
Repayment of bills payable	(46,501)	(12,000)	(69,768)	(38,000)
Dividend paid	(7,919)	(24,331)	(7,919)	(24,331)
Decrease (increase) in fixed deposits pledged to banks	73	(1,800)	(2,918)	1,000
<u>Net cash used in financing activities</u>	(127,294)	(40,131)	(133,376)	(35,431)
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	(90,220)	(104,944)	198,405	(15,462)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	607,397	539,085	318,772	449,603
CASH & CASH EQUIVALENTS AT END OF PERIOD	517,177	434,141	517,177	434,141

Notes to the combined statement of cash flows

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

	3 months Ended 30/6/2009 Unaudited RMB'000	3 months Ended 30/6/2008 Unaudited RMB'000	6 months Ended 30/6/2009 Unaudited RMB'000	6 months Ended 30/6/2008 Unaudited RMB'000
Fixed deposits	25,048	2,010	25,048	2,010
Cash and bank balances	530,022	434,141	530,022	434,141
	555,070	436,151	555,070	436,151
Less: bank overdraft	(12,845)	-	(12,845)	-
fixed deposits (pledged)	(25,048)	(2,010)	(25,048)	(2,010)
<u>Cash and cash equivalents</u>	517,177	434,141	517,177	434,141

Fixed deposits amounting to RMB 731,000 (2008: RMB 2,010,000) and RMB 24,317,000 (2008: Nil) are pledged to banks for the Group's bills payable to banks 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*	Translation reserve	Accumulated profits / (losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
At 1 January 2008, as previously reported	738,707	-	-	39,573	-	-	197,023	975,303
Prior year adjustments	-	-	37,825	-	(117,878)	-	80,061	8
Opening balance as at 1 January 2008, as restated	738,707	-	37,825	39,573	(117,878)	-	277,084	975,311
Total comprehensive income for the period	-	-	-	-	-	-	98,074	98,074
Dividend paid	-	-	-	-	-	-	(40,000)	(40,000)
Closing balance at 30 June 2008	738,707	-	37,825	39,573	(117,878)	-	335,158	1,033,385
At 1 January 2009	738,707	-	37,825	39,573	(117,878)	-	357,560	1,055,787
Total comprehensive income for the period	-	-	-	-	-	1	10,460	10,461
Dividend paid	-	-	-	-	-	-	(7,919)	(7,919)
Repurchase of shares	-	(2,307)	-	-	-	-	-	(2,307)
Closing balance at 30 June 2009	738,707	(2,307)	37,825	39,573	(117,878)	1	360,101	1,056,022
Company								
At 1 January 2008	738,707	-	-	39,573	-	-	(7,746)	770,534
Total comprehensive loss for the period	-	-	-	-	-	-	(1,415)	(1,415)
Dividend paid	-	-	-	-	-	-	(40,000)	(40,000)
At 30 June 2008	738,707	-	-	39,573	-	-	(49,161)	729,119
At 1 January 2009	738,707	-	-	39,573	-	-	(5,143)	773,137
Total comprehensive income for the period	-	-	-	-	-	-	37,474	37,474
Dividend paid	-	-	-	-	-	-	(7,919)	(7,919)
Repurchase of shares	-	(2,307)	-	-	-	-	-	(2,307)
At 30 June 2009	738,707	(2,307)	-	39,573	-	-	24,412	800,385

Note:

- * **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 from 2 March 2009 to 17 April 2009, the Company purchased 8,124,000 of its ordinary shares pursuant to the share buy-back mandate approved by shareholders on 31 October 2008. These shares were acquired by way of market acquisitions for a total consideration of S\$508,940 and are held as treasury shares by the Company. There were no shares acquired in FY2008.

- 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 preceeding year.**

	30 June 2009	31 December 2008
Total number of issued shares excluding treasury shares	791,876,000	800,000,000

There were a total of 8,124,000 treasury shares as 30 June 2009.

- 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 2009	-
Purchases of shares during the period	8,124,000
Total number of shares as at 30 June 2009	8,124,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2009.

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 Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the second quarter of 2009 with those of the audited financial statements as at 31 December 2008.

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.**

Not applicable.

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.**

	Group		Group	
	3 months ended 30/6/2009	3 months ended 30/6/2008	6 months ended 30/6/2009	6 months ended 30/6/2008
Earnings per ordinary share of the group, after deducting any provision for preference dividends (in RMB):				
(a) Basic and	0.01	0.06	0.01	0.12
(b) On a fully diluted basis	0.01	0.06	0.01	0.12

Note: The computation is based on weighted average number of shares in issue in 2009: 795,596,006 ordinary shares (2008: 800,000,000).

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	
	30/6/2009	31/12/2008	30/6/2009	31/12/2008
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 30/6/2009: 791,876,000 (31/12/2008: 800,000,000 shares))	1.33	1.32	1.01	0.97

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 31/3/2009 Unaudited	3 months Ended 31/3/2008 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2009 Unaudited	6 months Ended 30/6/2008 Unaudited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Finished zipper	18,681	73,637	(74.63)	28,634	128,762	(77.76)
Zipper Chain	30,535	74,625	(59.08)	64,102	147,808	(56.63)
Zipper Slider	21,483	68,722	(68.74)	41,460	130,396	(68.20)
Knitting Wool	4,433	-	NM	6,688	-	NM
Trading	45,787	-	NM	60,452	-	NM
Total Group Revenue	120,919	216,984	(44.27)	201,336	406,966	(50.28)

COST OF SALES

Finished zipper	14,092	44,362	(68.23)	21,440	75,723	(71.69)
Zipper Chain	22,067	41,130	(46.35)	46,043	84,310	(45.39)
Zipper Slider	17,107	49,560	(65.48)	32,490	94,108	(65.48)
Knitting Wool	4,848	-	NM	6,761	-	NM
Trading	44,384	-	NM	58,532	-	NM
Total Group Cost of Sales	102,498	135,052	(24.10)	165,266	254,141	(34.97)

GROSS PROFIT/(LOSS)

Finished zipper	4,589	29,275	(84.32)	7,194	53,039	(86.44)
Zipper Chain	8,468	33,495	(74.72)	18,059	63,498	(71.56)
Zipper Slider	4,376	19,162	(77.16)	8,970	36,288	(75.28)
Knitting Wool	(415)	-	NM	(73)	-	NM
Trading	1,403	-	NM	1,920	-	NM
Total Gross Profit	18,421	81,932	(77.52)	36,070	152,825	(76.40)

GROSS PROFIT/(LOSS) MARGIN

	%	%	%	%	%	%
Finished zipper	24.57	39.76	(15.19)	25.12	41.19	(16.07)
Zipper Chain	27.73	44.88	(17.15)	28.17	42.96	(14.79)
Zipper Slider	20.37	27.88	(7.51)	21.64	27.83	(6.19)
Knitting Wool	(9.36)	-	NM	(1.09)	-	NM
Trading	3.06	-	NM	3.18	-	NM
Total Gross Profit/(Loss) Margin	15.23	37.76	(22.53)	17.92	37.55	(19.63)

NM: Not Meaningful

HY09 vs HY08 (6 months)

Revenue

The Group's revenue decreased by RMB 205.6 million (or 50.53%) to RMB 201.3 million in HY09 compared to the previous corresponding period. The decrease in revenue was due mainly to the decrease in the sales of Finished Zippers (RMB 100.1 million), Zipper Chains (RMB 83.7 million) and Zipper Sliders (RMB 88.9 million) (collectively known as "Zipper Segment"). This was partially offset by the increase in revenue from the Knitting Wool (RMB 6.7 million) and Trading (RMB 60.4 million) segments.

The decrease in revenue from the Zipper Segment was attributable to the decrease in the Group's export business for both direct overseas customers and export oriented garment factories. The decrease in the average selling prices of the Group's Zipper Segment was as a result of more competitive prices being offered to our customers to retain the Group's working relationship with them as well as a decrease in raw materials prices.

The Knitting Wool and Trading segments were introduced in the second half of FY2008 following the setting up of the Group's Shanghai factory and its Hong Kong office respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 116.7 million (or 76.40%) to RMB 36.1 million in HY09 compared to the previous corresponding period. Gross profit margin of the Group declined by 19.63% to 15.23% in HY09. This was largely attributable to the lower average selling prices from the Zipper Segment (as explained above) coupled with a lesser decrease in our raw material prices.

The gross loss in the Knitting Wool segment was attributable to an increase in raw materials costs.

Other income and other expenses

Other income comprises government subsidies while other expenses mainly consist of bank charges. The net decrease was due mainly to the write back of allowance for doubtful trade receivables (RMB2.0 million) following the stepping up of the Group's collection efforts.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB 0.6 million (or 25.59%) to RMB 1.7 million in HY09. The decrease was due mainly to a decrease in the salaries and commission paid in HY09 as a result of a decrease in Group's revenue.

General and administrative expenses

General and administrative expenses increased by RMB 4.4 million (or 50.88%) in HY09 compared to RMB 2.3 million. This was largely due to the RMB 2.5 million provision for doubtful debts and the accrual of RMB 1.2 million for annual audit fee.

Interest income and expenses

Interest expenses increased by RMB 1.9 million (or 68.72%) to RMB 4.6 million in HY09. This was attributable to the increase in short-term loans, bills payable to banks and bank overdrafts during HY09. Interest income was higher in HY09 as a result of an increase in cash and bank balances.

Foreign exchange (loss) gain

The foreign exchange gain in HY08 arose due to the translation of bank balance denominated in Japanese Yen as a result of higher JPY/RMB exchange rate. This bank balance was withdrawn in 3QFY08. In HY09, there were no significant bank balances denominated in foreign currencies. The foreign exchange loss in HY09 arose as a result of the strengthening of RMB against our foreign currencies such as HKD, SGD and USD which are mainly used for the transactions of the Group's Hong Kong sales office and professional expenses incurred.

Tax expense

	Group		
	6 months Ended 30/6/2009 Unaudited	6 months Ended 30/6/2008 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	(6,455)	(35,335)	(81.73)
Deferred tax ²	(1,865)	(10,800)	(82.73)
Tax expense	(8,320)	(46,135)	(81.97)

Note

¹ Current tax decreased by RMB 28.9 million or 81.73% due to lower profit before taxation in HY09.

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 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 in HY09. As Jade Star (the PRC's subsidiaries' immediate holding Company) was incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

2Q09 vs 2Q08 (3 months)

Revenue

The Group's revenue decreased by RMB 96.1 million (or 44.27%) to RMB 120.9 million in 2Q09. The decrease in revenue was due mainly to the decrease in sales of the Finished Zippers (RMB 55.0 million), Zipper Chains (RMB 44.1 million) and Zipper Sliders (RMB 47.2 million) segments (collectively known as "Zipper Segment"). This was partially offset by the increase in revenue derived from the Knitting Wool (RMB 4.4 million) and Trading (RMB 45.8 million) segments.

The decrease in the 2Q09 revenue from the Zipper Segment was attributable to the decrease in export business for both direct overseas customers and export oriented garment factories.

The Knitting Wool and Trading segments were introduced in the second half of FY2008 following the setting up of the Group's Shanghai factory and its Hong Kong office respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB 63.5 million (or 77.52%) to RMB 18.4 million in 2Q09. The Group's overall gross profit margin declined by 22.53% to 15.23% in 2Q09. This was largely attributable to lower revenue from the Zipper Segment as explained above.

The gross loss in the Knitting Wool segment was attributable to an increase in raw materials costs.

Other income and other expenses

Other income comprises government subsidies while other expenses mainly consist of bank charges. The net decrease was due mainly to the write back of allowance for doubtful trade receivables (RMB2.0 million) in 2Q08 following the stepping up of the Group's collection efforts.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB 0.3 million (or 26.61%) to RMB 1.0 million in 2Q09. The decrease was due mainly to a decrease in the salaries and commission paid in 2Q09 as a result of a decrease in the Group's revenue.

General and administrative expenses

General and administrative expenses increased by RMB 1.0 million (or 33.06%) in 2Q09. This was largely due to the RMB 1.2 million provision for doubtful debts and the accrual of RMB 1.2 million for annual audit fee.

Interest income and expenses

Interest expenses increased by RMB 0.9 million (or 80.43%) from RMB 1.2 million in 2Q08 to RMB 2.1 million in 2Q09. This was attributable to the increase in short-term loans, bills payable to banks and bank overdrafts in 2Q09. Most of the short-term loans and bills payable had been settled in June 2009. Interest income was higher in 2Q09 as a result of an increase in cash and bank balances.

Foreign exchange loss

The foreign exchange gain in 2Q08 arose due to the translation of bank balance denominated in Japanese Yen as a result of higher JPY/RMB exchange rate. This bank balance was withdrawn in 3QFY08. In HY09, there were no significant bank balances denominated in foreign currencies. The foreign exchange loss in 2Q09 arose as a result of the strengthening of the RMB against the foreign currencies of HKD, SGD and USD.

Tax expense

	Group		
	3 months Ended 31/3/2009 Unaudited	3 months Ended 31/3/2008 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%
Current tax ¹	(3,239)	(18,870)	(82.28)
Deferred tax ²	(1,029)	(10,800)	(90.47)
Tax expense	(4,268)	(29,670)	(85.62)

Note

¹ Current tax decreased by RMB 15.6 million or 82.28% due to lower profit before taxation achieved in 2Q09.

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 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 in 1Q09. 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 30 June 2009, non-current assets amounted to RMB 237.1 million comprising property, plant and equipment, land use rights and intangible assets.

The Group's property, plant and equipment amounted to RMB 193.2 million, a 15.29% (or RMB 25.6 million) increase compared to FY08. The increase was due mainly to the completion of staff hostel and enhancement of the electricity supply system.

Current assets

Current assets decreased by RMB 193.6 million (or 16.65%) in 2Q09. This was largely due to a decrease in trade receivables, other receivables and prepayments which was offset by the increase in inventories and cash and bank balances.

Trade receivables decreased by RMB 101.7 million in tandem with the decrease in revenue in 2Q09.

The decrease in other receivables and increase in cash and bank balances were due mainly to monies received from a director. The amounts had been inadvertently transferred to the director as a result of misinterpretation over certain transactions which resulted in incorrect accounting entries passed and was rectified in 2Q09. Details of the misinterpretation had been disclosed in the Group's Full Year Announcement for the full year ended 31 December 2008 dated 26 February 2009 (Announcement No. : 00278).

Current assets (cont'd)

The increase in inventories was due mainly to the increased purchase of raw materials to take advantage of the decrease in price of raw materials during the period.

Current liabilities

In 2Q09, current liabilities amounted to RMB 127.1 million representing a decrease of RMB 170.3 million (or 57.27%) This was attributable to the decrease in trade payables, short-term bank loans, other payables and accruals. In 2Q09, the Group settled RMB 96.0 million of short-term bank loans and also RMB 24.2 million of bills payables.

Cash Flow

The Group's cash and cash equivalents increased due to the repayment of the amount due from a director. The increase was offset by the repayment of short-term bank loans and bills payable.

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

The 2QFY2009 financial results for the period ended 30 June 2009 is in line with the profit guidance announcement released by the Company on 27 July 2009.

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.

The external demand for zipper and zipper products continued to remain weak as a result of the economic downturn since mid-2008. Competition is more intense within the local zipper market as some of the Group's competitors focused on the local market, with lower demand from the foreign market.

The raw materials prices for zipper products have remained relatively stable since the last quarter and are unlikely to be as volatile as in the previous year.

The Group will enhance its brand name and develop the appropriate sales strategies to retain its current market share and remain competitive. It will also explore further business opportunities to acquire those businesses within the supply chain of the zipper products.

With the Group's good reputation in the industry and its well vertically integrated manufacturing operation, the Group believes it has the competitive advantage to meet new challenges ahead when the economic situation improves.

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?

Yes, an interim dividend as per below had been declared for 2Q08 and paid on 30 September 2008.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount Per Share (in RMB)	0.02
Tax Rate	Not Applicable

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

No dividend has been declared or recommended for the period ended 30 June 2009.

13. Status of applications for the Land Use Rights and building ownership certificates relating to Land I and Land II

For Land I,

As disclosed in the Group's 1Q09 results announcement on 14 May 2009, the Group has obtained the land use right and building ownership certificate granted from Jinjiang State Owned Land Resource Bureau on 17 November 2008. Since the Group has obtained the land use right and building ownership certificate, any further announcements on Land I will be made in the event of a disclosure requirement pursuant to the SGX Listing Manual.

For Land II

The application for the land use right has been submitted to the Jinjiang City Government upon our payment for the 30% deposit in March 2007. The application is still pending approval by the Fujian Provincial Government before sending to Jinjiang State Owned Land Resource Bureau for final processing.

Notes:

Land I and II – as defined in the "Risk Factors" section of the Company's prospectus dated 13 September 2007

Land I: refers to the adjoining land to the Group's premises currently used for its factory, warehouse office and accommodation

Land II: refers to a new site to be used for the setting up of its head office in Jinjiang City

14. Use of IPO proceeds

As at 30 June 2009, an approximate sum of RMB 311.3 million had been used in accordance with the plan stated in the company's prospectus dated 13 September 2007. RMB 167.0 million was utilized to repay the bank borrowings, RMB 73.7 million had been used for establishing our line of premium finished zippers at our current premises, RMB 33.5 million was paid to increase the working capital for our Qingdao Plant and remaining RMB 37.1 million was paid to increase the working capital for our Shanghai Plant.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Director & CEO

11 August 2009

Note:

SAC Capital Private Limited was the issue manager for the initial public offer of Fuxing China Group Limited (the "Company"). This announcement has been prepared and released by the Company.

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Directors Pursuant to Clause 705(4) 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 2nd quarter ended 30 June 2009 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: 11 August 2009