**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 |
| Adjustments for: | | | | |
| 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** |
| (Increase) Decrease in: | | | | |
| 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 |
| Increase (Decrease) in: | | | | |
| 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) |
| **Net cash generated from (used in) operating activities** | **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 |
| **Net cash used in investing activities** | **(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 |
| **Net cash used in financing activities** | **(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 | 3 months Ended 30/6/2008 Unaudited | 6 months Ended 30/6/2009 Unaudited | 6 months Ended 30/6/2008 Unaudited |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | 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) |
| **Cash and cash equivalents** | 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 | |
|---|---|---|---|---|
| Earnings per ordinary share of the group, after deducting any provision for preference dividends (in RMB): | 3 months ended 30/6/2009 | 3 months ended 30/6/2008 | 6 months ended 30/6/2009 | 6 months ended 30/6/2008 |
| (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 andprofessional 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 Fujiang 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