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

QUARTERLY FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2010.

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 30/06/2010. These figures have not been audited.

	Group			Group		
	3 months Ended 30/6/2010 Unaudited	3 months Ended 30/6/2009 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2010 Unaudited	6 months Ended 30/6/2009 Unaudited	Increase/ (Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	204,338	120,919	69	312,397	201,336	55
Cost of sales	(167,771)	(102,498)	64	(252,436)	(165,266)	53
Gross profit	36,567	18,421	99	59,961	36,070	66
Other income and expenses	(231)	(26)	788	217	370	(41)
Selling and distribution expenses	(1,278)	(979)	31	(2,216)	(1,681)	32
General and administrative expenses	(9,457)	(7,538)	25	(14,403)	(12,912)	12
Profit from operating activities	25,601	9,878	159	43,559	21,847	99
Finance income	104	1,354	(92)	748	1,544	(52)
Finance expense	(843)	(2,093)	(60)	(1,752)	(4,611)	(62)
Profit before taxation	24,862	9,139	172	42,555	18,780	127
Tax expense	(9,997)	(4,268)	134	(16,728)	(8,320)	101
Net profit attributable to equity holders	14,865	4,871	205	25,827	10,460	147
Other comprehensive income for the period						
Exchange differences on translating foreign operations	54	-	NM	64	1	NM
Total comprehensive income for the period attributable to equity holders	14,919	4,871	206	25,891	10,461	148

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

Allowance for doubtful trade receivables	1,462	1,160	26	645	2,464	(74)
Amortisation of land use rights	131	131	-	261	261	-
Amortisation of intangible assets	2	2	-	4	4	-
Loss on disposal of property, plant and equipment	45	-	NM	45	-	NM
Depreciation of property, plant and equipment	5,846	5,519	6	11,641	10,153	15
Foreign exchange (gain)/loss, net	682	314	117	662	277	139
Salaries and bonuses	13,119	10,552	24	21,230	15,774	35

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	
	30/6/2010 Unaudited	31/12/2009 Audited	30/6/2010 Unaudited	31/12/2009 Audited
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	180,431	188,402	-	-
Investment property	52,344	52,830	-	-
Land use rights	22,911	23,172	-	-
Intangible assets	20,496	20,500	-	-
Deferred tax assets	503	503		
Investment in subsidiaries	-	-	344,853	344,853
	276,685	285,407	344,853	344,853
Current assets				
Inventories	53,424	41,508	-	-
Trade receivables, net	224,642	161,356	-	-
Bills receivables	-	200	-	-
Other receivables and prepayments	55,738	86,972	2	-
Amount due from subsidiaries (non-trade)	-	-	431,973	472,518
Fixed deposits	24,204	24,810	-	-
Cash and bank balances	698,667	685,024	19,566	20,156
	1,056,675	999,870	451,541	492,674
Total assets	1,333,360	1,285,277	796,394	837,527
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	30,671	7,085	-	-
Bills payable to banks	7,817	28,138	-	-
Other payables & accruals	38,423	36,121	972	2,159
Amount due to directors (non-trade)	16,241	2,208	1,245	1,412
Term loan (current portion)	2,654	2,679	-	-
Short-term bank loans	43,621	13,000	-	-
Bank overdrafts	22,712	19,886	-	-
Income tax payable	11,295	7,869	-	-
Total current liabilities	173,434	116,986	2,217	3,571
Non-current liabilities				
Convertible notes	18,513	18,245	18,513	18,245
Term loan (non-current portion)	27,114	28,574	-	-
Deferred tax liabilities	30,318	26,651	-	-
	75,945	73,470	18,513	18,245
Total liabilities	249,379	190,456	20,730	21,816
Equity attributable to equity holders of the Company				
Share capital	756,224	756,224	756,224	756,224
Treasury shares	(5,851)	(2,307)	(5,851)	(2,307)
Reserve fund	42,550	42,550	-	-
Contributed surplus	39,573	39,573	39,573	39,573
Restructuring reserve	(117,878)	(117,878)	-	-
Translation reserve	(75)	(11)	-	-
Equity reserve	1,040	1,040	1,040	1,040
Accumulated profits	368,398	375,630	(15,322)	21,181
Total equity	1,083,981	1,094,821	775,664	815,711
Total equity and liabilities	1,333,360	1,285,277	796,394	837,527

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 2010		As at 31 December 2009	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bills payable to banks[1]	7,817	-	28,138	-
Short-term bank loans[2]	43,621	-	13,000	-
Term loan[3]	2,654	-	2,679	-
Bank overdrafts[4]	22,712	-	19,886	-
Convertible notes[5]	-	-	-	-

Amount repayable after one year

	As at 30 June 2010		As at 31 December 2009	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bills payable to banks	-	-	-	-
Short-term bank loans	-	-	-	-
Term loan[3]	27,114	-	28,574	-
Bank overdrafts[4]	-	-	-	-
Convertible notes[5]	18,513	-	18,245	-

Notes :

[1] RMB 7.8 million is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

[2] RMB 13.0 million is secured by certain buildings owned by Fuxing Textile (Shanghai) Co., Ltd.; and RMB 30.6 million is secured by bank deposits of Fook Hing Group Trading Co., Ltd., and personal guarantee from independent third parties, (Hong Li Hong and Sze Kai Lung) and corporate guarantee by Fuxing China Group Limited.

[3] Term loan is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

[4] RMB 20.1 million is secured by bank deposits of Fook Hing Group Trading Co., Ltd., and personal guarantee from independent third parties, (Hong Li Hong and Sze Kai Lung) and corporate guarantee by Fuxing China Group Limited.; and RMB 2.6 million is secured by a charge over investment property owned by Fook Hing Group Trading Co., Ltd., located at 16/F., Tower II, Enterprise Square, No. 9 Sheung Yue Road, Kowloon, rental receipt arising from the mortgaged property and corporate guarantee from Fuxing China Group Limited.

[5] Convertible notes are related to the issuance of 39,604,000 conversion shares at S$0.101 per share, due September 2011 with a principal amount of S$4,000,004.

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 30/6/2010 Unaudited RMB'000	3 months Ended 30/6/2009 Unaudited RMB'000	6 months Ended 30/6/2010 Unaudited RMB'000	6 months Ended 30/6/2009 Unaudited RMB'000
OPERATING ACTIVITIES				
Profit before taxation	24,862	9,139	42,555	18,780
Adjustments for:				
Depreciation of property, plant and equipment	5,846	5,519	11,641	10,153
Amortisation of land use rights	131	131	261	261
Amortisation of intangible assets	2	2	4	4
Loss on disposal of property, plant and equipment	45	-	45	-
Allowance for doubtful trade receivables	1,462	1,160	645	2,464
Interest expense	843	2,093	1,752	4,611
Interest income	(104)	(1,354)	(748)	(1,544)
Foreign currency gain	354	(17)	383	33
Total adjustments	8,579	7,534	13,983	15,982
Operating cash flows before changes in working capital	**33,441**	**16,673**	**56,538**	**34,762**
(Increase)/Decrease in:				
Inventories	(11,344)	(1,378)	(11,916)	(42,956)
Trade receivables	(68,604)	36,037	(63,931)	99,217
Bills receivable	-	-	200	-
Other receivables & prepayments	18,264	30,884	31,234	328,570
Increase /(Decrease) in:				
Trade payables	14,957	1,164	23,586	(23,283)
Other payables & accruals	(13,450)	(6,776)	2,302	(14,176)
Due to directors	13,553	(587)	14,033	(1,204)
Total changes in working capital	(46,624)	59,344	(4,492)	346,168
Cash flows (used in)/generated from operations	**(13,183)**	**76,017**	**52,046**	**380,930**
Interest expense paid	(708)	(2,093)	(1,484)	(4,611)
Interest income received	104	1,354	748	1,544
Income tax paid	(2,422)	(3,223)	(9,635)	(10,310)
Net cash (used in)/generated from operating activities	**(16,209)**	**72,055**	**41,675**	**367,553**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,334)	(34,981)	(5,076)	(35,772)
Proceeds from disposal of property, plant and equipment	1,361	-	1,361	-
Net cash used in investing activities	**(2,973)**	**(34,981)**	**(3,715)**	**(35,772)**
FINANCING ACTIVITIES				
Purchase of treasury shares	(3,544)	(865)	(3,544)	(2,307)
Repayments of term loan	(835)	-	(1,485)	-
Proceeds from short-term bank borrowings	30,621	11,000	30,621	11,000
Repayments of short-term bank borrowings	-	(107,000)	-	(107,000)
Proceeds from bills payable	7,817	23,918	7,817	45,536
Repayment of bills payable	(500)	(46,501)	(28,099)	(69,768)
Dividend paid	(33,059)	(7,919)	(33,059)	(7,919)
(Increase)/decrease in fixed deposits pledged to banks	339	73	606	(2,918)
Net cash generated from/(used in) financing activities	**839**	**(127,294)**	**(27,143)**	**(133,376)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**(18,343)**	**(90,220)**	**10,817**	**198,405**
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	**694,298**	**607,397**	**665,138**	**318,772**
CASH & CASH EQUIVALENTS AT END OF PERIOD	**675,955**	**517,177**	**675,955**	**517,177**

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 30/6/2010 Unaudited	3 months Ended 30/6/2009 Unaudited	6 months Ended 30/6/2010 Unaudited	6 months Ended 30/6/2009 Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed deposits	24,204	25,048	24,204	25,048
Cash and bank balances	698,667	530,022	698,667	530,022
	722,871	555,070	722,871	555,070
Less: Bank overdrafts	(22,712)	(12,845)	(22,712)	(12,845)
Pledged fixed deposits	(24,204)	(25,048)	(24,204)	(25,048)
Cash and cash equivalents	675,955	517,177	675,955	517,177

Fixed deposits amounting to RMB 24,204,000 are pledged to a bank for the Group's short-term bank loans and bank overdrafts. In 2009, fixed deposits amounted to RMB 731,000 and RMB 24,317,000 were 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[1]	Equity reserve[2]	Translation reserve	Accumulated profits / (losses)	Total equity
Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2009	738,707	-	37,825	39,573	(117,878)	-	-	357,560	1,055,787
Total comprehensive income for the year	-	-	-	-	-	-	1	10,460	10,461
Repurchase of shares	-	(2,307)	-	-	-	-	-	-	(2,307)
Dividend paid	-	-	-	-	-	-	-	(7,919)	(7,919)
Closing balance at 30 June 2009	738,707	(2,307)	37,825	39,573	(117,878)	-	1	360,101	1,056,022
At 1 January 2010	756,224	(2,307)	42,550	39,573	(117,878)	1,040	(11)	375,630	1,094,821
Total comprehensive income for the year	-	-	-	-	-	-	(64)	25,827	25,763
Repurchase of shares	-	(3,544)	-	-	-	-	-	-	(3,544)
Dividend paid								(33,059)	(33,059)
Closing balance at 30 June 2010	756,224	(5,851)	42,550	39,573	(117,878)	1,040	(75)	368,398	1,083,981
Company									
At 1 January 2009	738,707	-	-	39,573	-	-	-	(5,143)	773,137
Total comprehensive income for the period	-	-	-	-	-	-	-	37,474	37,474
Repurchase of shares	-	(2,307)	-	-	-	-	-	-	(2,307)
Dividend paid	-	-	-	-	-	-	-	(7,919)	(7,919)
At 30 June 2009	738,707	(2,307)	-	39,573	-	-	-	24,412	800,385
At 1 January 2010	756,224	(2,307)	-	39,573	-	1,040	-	21,181	815,711
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,444)	(3,444)
Repurchase of shares	-	(3,544)	-	-	-	-	-	-	(3,544)
Dividend paid	-	-	-	-	-	-	-	(33,059)	(33,059)
At 30 June 2010	756,224	(5,851)	-	39,573	-	1,040	-	15,322	775,664

	Share capital	Treasury shares	Reserve fund	Contributed surplus	Restructuring reserve[1]	Equity reserve[2]	Translation reserve	Accumulated profits / (losses)	Total equity
Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 April 2009	738,707	(1,442)	37,825	39,573	(117,878)	-	1	363,149	1,059,935
Total comprehensive income for the year	-	-	-	-	-	-	-	4,871	4,871
Repurchase of shares	-	(865)	-	-	-	-	-	-	(865)
Dividend paid	-	-	-	-	-	-	-	(7,919)	(7,919)
Closing balance at 30 June 2009	738,707	(2,307)	37,825	39,573	(117,878)	-	1	360,101	1,056,022
At 1 April 2010	756,224	(2,307)	42,550	39,573	(117,878)	1,040	(21)	386,592	1,105,773
Total comprehensive income for the year	-	-	-	-	-	-	(54)	14,865	14,811
Repurchase of shares	-	(3,544)	-	-	-	-	-	-	(3,544)
Dividend paid	-	-	-	-	-	-	-	(33,059)	(33,059)
Closing balance at 30 June 2010	756,224	(5,851)	42,550	39,573	(117,878)	1,040	(75)	368,398	1,083,981
Company									
At 1 April 2009	738,707	(1,442)	-	39,573	-	-	-	(6,272)	770,566
Total comprehensive income for the period	-	-	-	-	-	-	-	38,603	38,603
Repurchase of shares	-	(865)	-	-	-	-	-	-	(865)
Dividend paid	-	-	-	-	-	-	-	(7,919)	(7,919)
At 30 June 2009	738,707	(2,307)	-	39,573	-	-	-	24,412	800,385
At 1 April 2010	756,224	(2,307)	-	39,573	-	1,040	-	19,410	813,940
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,673)	(1,673)
Repurchase of shares	-	(3,544)	-	-	-	-	-	-	(3,544)
Dividend paid	-	-	-	-	-	-	-	(33,059)	(33,059)
At 30 June 2010	756,224	(5,851)	-	39,573	-	1,040	-	15,322	775,664

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".

[2] **Equity reserve:**
This reserve represents the value of the unexercised equity component of convertible notes issued by the Group in 2009.

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
In April 2010, the Company purchased 5,000,000 of its ordinary shares pursuant to the share buy-back mandate approved by shareholders on 24 April 2009 and on 29 April 2010. These shares were acquired by way of market acquisitions for a total consideration of S$703,483 and are held as treasury shares by the Company. There were a total of 8,124,000 treasury shares acquired during the half year ended 30 June 2009.

Convertible Notes
As at 30 June 2010 (30 June 2009 : NIL), there were 39,604,000 conversion notes which are convertible to shares at S$0.101 per share.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30 June 2010	31 December 2009
Total number of issued shares excluding treasury shares	826,480,000	831,480,000

There were a total of 13,124,000 treasury shares as at 30 June 2010.

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 2010	8,124,000
Purchases of shares during the period	5,000,000
Total number of shares as at 30 June 2010	13,124,000

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2010.

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 2010 with those of the audited financial statements as at 31 December 2009.

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.

Earnings per ordinary share of the group, after deducting any provision for preference dividends (in RMB):	Group		Group	
	3 months ended 30/6/2010	**3 months ended 30/6/2009**	**6 months ended 30/6/2010**	**6 months ended 30/6/2009**
(a) Basic and	0.02	0.01	0.03	0.01
(b) On a fully diluted basis	0.02	0.01	0.03	0.01

Note: Basic earnings per share is computed based on weighted average number of shares in issue in 2010: 830,401,918 ordinary shares (2009: 795,596,006).

Diluted earnings per share is computed based on weighted average number of ordinary shares in issue in 2010:870,005,918 ordinary shares (2009: 795,596,006), adjusted for the deemed conversion of the convertible note since the date of issue.

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	
	30/6/2010	**31/12/2009**	**30/6/2010**	**31/12/2009**
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 30/6/2010 : 826,480,000 (31/12/2009: 831,480,000 shares)	1.31	1.32	0.94	0.98

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 30/6/2010 Unaudited	3 months Ended 30/6/2009 Unaudited	Increase/ (Decrease)	6 months Ended 30/6/2010 Unaudited	6 months Ended 30/6/2009 Unaudited	Increase/ (Decrease)
REVENUE	**RMB'000**	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Finished zipper	19,050	18,681	2	31,019	28,634	8
Zipper Chain	66,461	30,535	118	119,289	64,102	86
Zipper Slider	41,545	21,483	93	65,286	41,460	57
Knitting Wool	275	4,433	(94)	1,202	6,688	(82)
Trading	77,007	45,787	68	95,601	60,452	58
Total Revenue	204,338	120,919	69	312,397	201,336	55
COST OF SALES						
Finished zipper	13,421	14,092	(5)	21,986	21,440	3
Zipper Chain	47,216	22,067	114	85,329	46,043	85
Zipper Slider	31,108	17,107	82	50,040	32,490	54
Knitting Wool	314	4,848	(94)	1,071	6,761	(84)
Trading	75,712	44,384	71	94,010	58,532	61
Total Cost of Sales	167,771	102,498	64	252,436	165,266	53
GROSS PROFIT/(LOSS)						
Finished zipper	5,629	4,589	23	9,033	7,194	26
Zipper Chain	19,245	8,468	127	33,960	18,059	88
Zipper Slider	10,437	4,376	139	15,246	8,970	70
Knitting Wool	(39)	(415)	(91)	131	(73)	NM
Trading	1,295	1,403	(8)	1,591	1,920	(17)
Total Gross Profit	36,567	18,421	99	59,961	36,070	66
GROSS PROFIT/(LOSS) MARGIN						
	%	%	%	%	%	%
Finished zipper	29.5	24.6	4.9	29.1	25.1	4.0
Zipper Chain	29.0	27.7	1.3	28.5	28.2	0.3
Zipper Slider	25.1	20.4	4.7	23.4	21.6	1.8
Knitting Wool	(14.2)	(9.4)	(4.8)	10.9	(1.1)	12.0
Trading	1.7	3.1	(1.4)	1.7	3.2	(1.5)
Average Gross Profit Margin	17.9	15.2	2.7	19.2	17.9	1.3

1H2010 vs. 1H2009 (6 months)

Revenue

The Group's revenue increased by RMB 111.1 million (or 55%) to RMB 312.4 million. The increase in revenue was due mainly to the increase in sale of the Finished Zippers (RMB 2.4 million), Zipper Chains (RMB 55.2 million) and Zipper Sliders segment (RMB 23.8 million) (collectively referred as the "Zipper Segment") as well as the Trading segment (RMB 35.1 million). This was partially offset by the decrease in revenue derived from the Knitting Wool segment (RMB 5.4 million).

The increase in revenue from the Zipper Segment was attributable to the increase in orders from both local customers as well as overseas customers as a result of the recovering economy.

The decrease in revenue for the Knitting Wool segment was due mainly to the discontinuation of its operation in April 2010.

Gross Profit and Gross Profit Margin
Group's gross profit increased by RMB 23.9 million (or 66%) to RMB 60.0 million. The increase in gross profit from the Zipper Segment was due mainly to the increase in revenue from both local and export business as a result of the recovering economy.

Overall, gross profit margin increased by 1.3% to 19.2 % attributable to an increase in the gross profit margin of the Zipper Segment. The increase was a result of the slight increase in selling price over the cost of sales.

Other income and other expenses
Other income comprises rental income and government subsidies while other expenses consist mainly of foreign exchange loss. The net decrease was due mainly to increase in foreign exchange loss as a result of the appreciation of RMB against Hong Kong Dollar.

Selling and distribution expenses
Selling and distribution expenses increased by RMB 0.5 million (or 32%) to RMB 2.2 million. The increase was due mainly to the increase in the sales volume and increase in advertising expenses incurred for the sales promotion of the Group's products.

General and administrative expenses
General and administrative expenses increased by RMB1.5 million (or 12%) to RMB 14.4 million. The increase was due mainly to an increase in salaries but partly offset by a decrease in provision for doubtful debts.

Finance income and expenses
Finance expenses decreased by RMB 2.9 million (or 62%) to RMB 1.8 million. This was attributable to the decrease in bills payable to banks as most of them had been repaid in June 2009, partly off-set by the interest incurred from the new short-term loan drawn down during the period. The decrease in finance income was due mainly to the decrease in placement of foreign currency denominated fixed deposit in 2010.

Income tax expense

	Group		
	6 months Ended 30/6/2010 Unaudited	**6 months Ended 30/6/2009 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	13,061	6,455	102
Deferred tax[2]	3,667	1,865	97
Income tax expense	16,728	8,320	101

Notes
[1] Current tax increased by RMB 6.6 million or 102% due to an increase in profit before taxation in 1H2010.

[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 from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding Company) was incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

2Q2010 vs. 2Q2009 (3 months)

Revenue

The Group's revenue increased by RMB 83.4 million (or 69%) to RMB 204.3 million. The increase in revenue was due mainly to the increase in sale of the Finished Zippers (RMB 0.4 million), Zipper Chains (RMB 35.9 million) and Zipper Sliders segment (RMB 20.1 million) (collectively referred as the "Zipper Segment") as well as the Trading segment (RMB 31.2 million). This was partially offset by the decrease in revenue derived from the Knitting Wool segment (RMB 4.2 million).

The increase in revenue from the Zipper Segment was attributable to the increase in orders from both local factories and exports sales as a result of the recovering economy. The increase in revenue from the Trading segment was due to the increase in demand for raw materials in PRC.

The decrease in revenue for the Knitting Wool segment was due mainly to the discontinuation of its operation in April 2010.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB 18.1 million (or 99%) to RMB 36.6 million. The increase in gross profit from the Zipper Segment was due mainly to the increase in revenue from both local and export business as a result of the recovering economy.

Overall, gross profit margin increased by 2.7% to 17.9 % due to an increase in the gross profit margin of the Zipper Segment. The increase in gross profit margin of the Zipper segment was a result of the slight increase in selling price over the cost of sales.

Small gross loss was incurred for Knitting Wool Segment as the Group fulfilled its last orders and terminated this operation in April 2010.

Other income and other expenses

Other income comprises rental income and government subsidies while other expenses consist mainly of foreign exchange loss. The net increase was due mainly to the increase in foreign exchange loss in 2Q2010 as a result of appreciation of RMB against Hong Kong Dollar and United States Dollar

Selling and distribution expenses

Selling and distribution expenses increased by RMB 0.3 million (or 31%) to RMB 1.3 million, in line with the increase in sales volume as well as increase in advertising expenses incurred for the sales promotion of the Group's products.

General and administrative expenses

General and administrative expenses increased by RMB 1.9 million (or 25%) to RMB 9.4 million. The increase was due mainly to an increase in salaries but partly offset by a decrease in provision for doubtful debts.

Finance income and expenses

Finance expenses decreased by RMB 1.3 million (or 60%) to RMB 0.8 million. This was attributable to the decrease in bills payable to banks as most of them had been repaid in June 2009, partly off-set by the interest incurred from the new short-term loan drawn down during the period. The decrease in finance income was due to the decrease in placement of foreign currency denominated fixed deposits in 2010.

Income tax expense

	Group		
	3 months Ended 30/6/2010 Unaudited	**3 months Ended 30/6/2009 Unaudited**	**Increase/ (Decrease)**
	RMB'000	**RMB'000**	**%**
Current tax[1]	7,919	3,239	144
Deferred tax[2]	2,078	1,029	102
Income tax expense	9,997	4,268	134

Notes

[1] Current tax increased by RMB 4.7 million or 144% due to an increase in profit before taxation in 2Q2010.

[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 from 1 January 2008 onwards. 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 2010, non-current assets amounted to RMB 276.7 million comprising property, plant and equipment, investment property, land use rights, intangible assets and deferred tax assets.

The Group's property, plant and equipment as at 30 June 2010 amounted to RMB 180.4 million, a decrease of 4% (or RMB 8.0 million) compared to that as at 31 December 2009. The decrease was due mainly to depreciation.

Current assets

Current assets increased by RMB 56.8 million (or 6%) to RMB 1.1 billion as at 30 June 2010. This was largely due to an increase in inventories, trade receivables, cash and bank balances which was offset by the decrease in other receivables and prepayments.

Inventory increased by RMB 11.9 million due to increase in inventory level to fulfill the sales order in the coming quarter. Trade receivables increased by RMB 63.3 million in tandem with the increase in turnover in 2Q2010.

The decrease in other receivables and prepayments by RMB 31.2 million was due mainly to a decrease in advances made to suppliers.

Current liabilities

Current liabilities increased by RMB 56.4 million (or 48%) to RMB 173.4 million as at 30 June 2010. This was attributable to the increase in trade payables, short-term bank loans and bank overdrafts which was offset by the decrease in bills payable.

The increase in amount due to directors by RMB 14.0 million was due to the cash paid on behalf of the Group in settlement of the interim dividend payment in June 2010, a temporary measure due to a longer time period required to remit the interim dividend payment from RMB to Singapore Dollars under the foreign exchange restriction policy in the PRC. The amount had since been repaid to directors in July 2010. The increase in short-term bank loans was due mainly to the expansion of trading operation in Hong Kong.

The increase in trade payables by RMB 23.6 million was due to an increase in purchase of raw materials in line with the increase in production volume in 2Q2010. Short-term bank loans and bank overdrafts increased due to an additional banking facility obtained from bank in 2Q10, which was mainly used for the trading operation in Hong Kong.

Most of the bills payables were repaid in 2Q2010.

Non-current liabilities

Non-current liabilities, which comprise convertible notes, term loan and deferred tax liabilities, increased by RMB 2.5 million (or 3%) to RMB 75.9 million as at 30 June 2010. The convertible notes were issued in September 2009 and are due in September 2011. The term loan was raised for the acquisition of an investment property in Hong Kong which was announced on 26 November 2009 (announcement no: 00077). The increase in deferred tax liabilities was due mainly to the increase in withholding tax as explained above under the notes for income tax expense.

Review of Cash Flows

1H2010

Net cash flows generated from operating activities amounted to a healthy RMB 41.7 million, as operating profit recorded at RMB 42.6 million. The cash used to invest in higher inventories and trade receivables in 1H2010 of RMB 75.8 million were offset by the cash released from other receivables/prepayments, depreciation charge, higher trade and other payables, amount owing to a director, totaling RMB 82.7 million.

Net cash flows used in investing activities amounted to RMB 3.7 million primarily due to purchase of machineries and equipment in 1H2010. In 1H2009, the Group completed construction of a staff hostel and enhancement of the electricity supply system.

Net cash flows used in financing activities amounted to RMB 27.1 million largely due to payment of outstanding bills payable of RMB 28.1 million and dividend payments of RMB 33.1 million, supported by proceeds from short term loans taken up of RMB 30.6 million.

2Q2010

Net cash flows used in operating activities amounted to RMB 16.2 million due mainly to the increase in trade receivables as a result of increase in sale in 2Q2010 as well as higher inventories to meet the sales orders. The increase was offset by cash released from other receivables.

Net cash flows used in investing activities amounted to RMB 3.0 million due to the purchase of machineries and equipment in current quarter. In 2Q09, the Group completed construction of a staff hostel and enhancement of the electricity supply system

Net cash flows of RMB 0.8 million generated from financing activities in 2Q2010 was due to an additional banking facility or RMB 30.6 million obtained in 2Q2010. The banking facility was mainly used for trading operation in Hong Kong and bills payables of RMB 7.8 million. This was offset by dividend payments of RMB33.1 million, share buyback of the Company's shares of RMB 3.5 million and repayment of term loan and bills payable amounting to RMB1.3 million. Negative cash flows were recorded from financing activities in 2Q2009 due mainly to the repayment of short-term bank loans and bills payable amounting to RMB153.5 million in 2Q2009.

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

No forecast or prospect statement had been disclosed to shareholders previously.

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.

With the positive signs on the recovery of the economy, the Group is confident of an increase in demand from both the PRC customers and export oriented garment factories in 2010. The Group, however, expects its labour cost to increase due to the tightening of labour supply along coastal cities in the PRC, and will continue to adjust its pricing accordingly.

The Group will continue to work towards improving its operational efficiencies by continuing to work on its process automation. The Group had successfully registered a new product – Super Durable Zipper patent which the Group had commenced marketing to its customers. The Group intends to scale up production by investing up to RMB 20 million for 100 sets of machinery planned by end FY2010, with an estimated maximum capacity of 2400 tons per annum.

The Group will also continue to enhance its brand name and develop sales strategies to remain competitive and grow its market share. It will also explore further business opportunities to invest in businesses within the supply chain of the zipper products.

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.

No dividend has been declared or recommended for the period ended 30 June 2010.

13. Status of applications for the Land Use Rights and building ownership certificates relating to the new site to be used for the setting up of the Group's head office in Jinjiang City

The application for the land use right and building ownership certificates had been submitted to the Jinjiang City Government upon the Group's payment for the 30% deposit (RMB 0.88 million) in March 2007. The application is still pending approval by the Fujiang Provincial Government before it could be processed by the Jinjiang State Owned Land Resource Bureau.

14. Use of placement proceeds

As at the date of this announcement, no placement proceeds have been used.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman & CEO

10 August 2010

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 2nd quarter ended 30 June 2010 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: 10 August 2010