

## NEWS RELEASE

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# Fuxing China posts RMB5.6 million in 1QFY2009 net profit

Financial Highlights (RMB'000)	3 months ended 31 March		
	2009	2008	Growth (%)
Revenue	80,417	189,982	(57.7)
Gross profit	17,649	70,893	(75.1)
Gross profit margin	21.9%	37.3%	(15.4)
Net profit	5,589	49,520	(88.7)

**SINGAPORE – 14 May 2009 - Fuxing China Group Limited** (*“Fuxing China” or “the Group”*), one of the few vertically-integrated zipper manufacturers in the PRC, today posted a net profit of RMB5.6 million on the back of RMB80.4 million in sales for the first three months ended 31 March 2009 (“1QFY2009”).

The decline of 88.7% and 57.7% in net profit and revenue respectively can be attributed to the challenging business environment brought about by the global economic crisis. During the period under review, Fuxing China experienced a marked decline in sales as its direct overseas customers, as well as export oriented garment manufacturers placed fewer orders due to a significant drop in their export business.

In order to retain the working relationship with its key customers, the Group offered a more competitive and attractive structure by lowering the average selling prices (“ASP”) of its zipper products, namely Finished Zippers, Zipper Chains and Zipper Sliders. The downward adjustment of ASP was more than the decrease in overall raw material costs as part of the Group’s strategy to fend off competition.

As a result, in 1QFY2009, gross profit declined 75.1% to RMB17.6 million while overall gross profit margin stood at 21.95% compared with 37.32% in 1QFY2008.

General and administrative expenses rose 87.0% to RMB5.4 million due to higher activities in the Group’s Qingdao and Shanghai factories as well as a RMB1.3 million provision for doubtful trade receivables. Although the Group has not experienced any bad debts to date, it has taken a conservative stand by making a provision for doubtful debts in view of the current credit crunch.

Mr Hong Qing Liang (洪清凉), Chief Executive Officer of Fuxing China commented, “We review our debts on a regular basis and make provisions depending on, amongst others, the length of the outstanding debt, our knowledge of the customers financial standing and the customer’s response to our efforts in collection. Although we have not experienced any bad debts, we would still like to remain prudent by making a provision. While we continue to monitor and accelerate our collection of outstanding debts, we will also protect the Group by carefully evaluating the financial and liquidity position of our customers before we take on new orders.”

To ride through this challenging time, the Group has implemented various cost cutting measures. In 1QFY2009, selling and distribution expenses declined 24.1% to RMB0.7 million as the Group reduced staff salaries and commissions paid to agents.

## Earnings & Net Asset Value Per Share

Earnings per share for the three months ended 31 March 2009 was RMB0.01 while net asset value rose from RMB1.32 as at 31 December 2008 to RMB1.33 as at 31 March 2009.

## Segmental Review

Financial Highlights (RMB'000)	3 months ended 31 March		
	2009	2008	Growth (%)
<b>Revenue</b>			
Finished Zipper	9,953	55,125	(81.9)
Zipper Chain	33,566	73,183	(54.1)
Zipper Slider	19,977	61,674	(67.6)
Knitting Wool	2,255	-	NM
Trading (of nylon yarn)	14,666	-	NM
<i>Total</i>	<i>80,417</i>	<i>189,982</i>	<i>(57.7)</i>
<b>Gross Profit</b>			
Finished Zipper	2,605	23,763	(89.0)
Zipper Chain	9,590	30,004	(68.0)
Zipper Slider	4,594	17,126	(73.2)
Knitting Wool	342	-	NM
Trading (of nylon yarn)	518	-	NM
<i>Total</i>	<i>17,649</i>	<i>70,893</i>	<i>(75.1)</i>
<b>Gross Profit Margin</b>			
Finished Zipper	26.17%	43.11%	(16.94)
Zipper Chain	28.57%	41.00%	(12.43)
Zipper Slider	23.00%	27.77%	(4.77)
Knitting Wool	15.17%	-	NM
Trading (of nylon yarn)	3.53%	-	NM
Total GP Margin	21.95%	37.32%	(15.37)

NM: Not Meaningful

## Finished Zipper

Contributing 12.4% of total revenue, the Finished Zipper segment achieved sales of RMB10.0 million, representing a decline of 81.9%. The decrease in revenue was due to the deliberate efforts made by the Group to lower ASP in order to attract and retain customers. 1QFY2009 gross profit margin stood at 26.17% compared with 43.11% In 1QFY2008.

### **Zipper Chain**

Due to lower ASP, revenue for the Zipper Chain segment at RMB33.6 million declined 54.1%. It represented 41.7% of total revenue. Gross profit margin in 1QFY2009 was 28.57% against 41.00% attained in 1QFY2008.

### **Zipper Slider**

Lower ASP drove sales of the Zipper Slider segment down by 67.6% to RMB20.0 million, representing 24.8% of total revenue. Gross profit margin registered a dip from 27.77% in 1QFY2008 to 23.00% in 1QFY2009. Cost of sales for this segment did not lower correspondingly as the Group utilized zinc from its inventory which was earlier purchased at a higher price.

### **Knitting Wool**

The Knitting Wool segment, which was introduced in the second half of FY2008, contributed a revenue of RMB2.3 million, representing 2.8% of total sales. On a quarter on quarter (“QoQ”) basis, gross profit margin improved from 10.63% in 4QFY2008 to 15.17% in 1QFY2009.

The Group introduced this new business segment following its acquisition of the Shanghai factory, as part of its expansion plans to increase the production of finished zippers. Prior to the acquisition, the factory was in the business of producing knitting wool. While the Group focuses on the production of finished zippers at the factory, it has also retained the knitting business as there is a ready pool of customers.

## Trading

Introduced in the second half of FY2009, the Trading business, which is carried out of the Hong Kong sales office, attained sales of RMB14.7 million (18.2% of total revenue). Gross profit margin also increased QoQ, from 2.80% in 4QFY2009 to 3.53% in 1QFY2009.

The Group commenced this business segment at the request of customers since it has a wide network of suppliers of nylon yarn and zipper related products.

Mr Hong explained, “Our risk for this business segment is minimized as we do not stock up on inventory. Rather, we act as a middleman by tapping on our network and helping our customers source for raw materials supplies.”

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## About Fuxing China

*Based in Jinjiang City, Fujian Province, and listed on SGX-ST on 24 September 2007, Fuxing China is one of few vertically-integrated zipper producers in the PRC with the ability to manufacture the entire zipper product from mould-making for the production of zipper sliders to manufacturing of fabric tape for zipper chains.*



Zipper chain



Zipper slider

*The Group's zipper products are sold mainly to PRC manufacturers of apparel and footwear products, camping equipment, bags, upholstery furnishings, trading companies as well as other zipper manufacturers in the PRC which further process or assemble zipper products to customise to their customers' needs.*

*Fuxing China has a diversified customer base of over 900 customers which are located in the PRC. Fuxing China's end products are also used by renowned brands such as Anta, Septwolves, CBA Leisu, Fujian Peak and Northpole China, in their products such as apparels, shoes, bags and camping equipment.*

*Since its establishment in 1993, Fuxing China has built up a credible track record and market reputation, having garnered 10 awards in the past 10 years. More notably, its proprietary "3F" brand has been named the "Symbolic Brand of China" (中国标志性品牌) by First Chinese Well-Known Mark Conference in 2006 and "PRC Top 10 Famous Zipper Brands" (中国拉链十大知名品牌) by The Hardware Association of the PRC in 2005.*

*More recently in January 2007, Fuxing China's products were awarded the Intertek Eco-Certification, which allows the Group's products to be sold in the international markets. Today, through trading companies, the Group's zipper products are exported to Australia, the EU, Russia, Turkey, Korea, Thailand, Vietnam and Indonesia.*

*To ensure continued innovation in product quality and improved efficiency, Fuxing China places strong emphasis on product and technical R&D. As a testimony of its strength in R&D, Fuxing China's R&D facility was certified as a "Fujian Provincial Level Enterprise Technology Center" in December 2006. The Group has been granted 5 design patents for its zipper sliders, while 2 utility patents are pending registration. The Group also has established a research partnership with the Software Institute of Xiamen University with the aim of enhancing production efficiencies in the manufacturing of zipper products.*

***SAC Capital Private Limited was the issue manager of the initial public offering of Fuxing China Group Limited. This announcement has been prepared and released by the Company.***