

NEWS RELEASE

Fuxing China reports loss of RMB224.1 million for FY2013 on lower gross profit margin and higher impairment charges

- Revenue increased by RMB48.5 million or 9% due mainly to the RMB63.0 million increase in revenue of the Group's Trading segment.
- Gross profit margin declined by 1.5 percentage points to 8.1%, due mainly to the decrease in profit margin from the Processing segment arising from the increase in cost of raw materials..

Financial Highlights

RMB ('000)	4Q2013	4Q2012	% Change	FY2013	FY2012	% Change
Revenue	163,301	160,256	2	617,207	568,685	9
Gross profit	14,273	13,125	9	50,085	54,698	(8)
Gross profit margin	8.7%	8.2%		8.1%	9.6%	
Loss before taxation	(176,199)	(139,770)	26	(218,608)	(165,264)	32
Net Loss attributable to Equity holders	(178,675)	(143,102)	25	(224,113)	(173,276)	29
Loss per share* (cents)	(20.8)	(16.6)	25	(26.0)	(20.1)	29
				As at 31/12/2013	As at 31/12/2012	
NTA per share as at end of year**(RMB)				0.85	1.11	(23)

Notes:

* Basic and diluted EPS based on weighted average number of shares in issue: 860,272,000 ordinary shares in FY2013 and FY2012.

** Based on issued share capital as at 31/12/2013 of 860,272,000 shares, NTA equivalent to SGD 17.6 cents using exchange rate of 4.8209 as at 31/12/2013.

SINGAPORE, 27 February 2014 – Fuxing China Group Limited (“Fuxing China” or the “Group”), one of the leading vertically-integrated zipper manufacturers in the PRC has announced its financial results for the fourth quarter and full year ended 31 December 2013 (“4Q2013” & “FY2013”).

For FY2013, the Group’s revenue increased by RMB 48.5 million (or 9%) to RMB 617.2 million. The increase was due mainly to the increase in revenue of its Trading segment (RMB 63.0 million). This was partially offset by the decrease in revenue contributions from the Zipper Chains segment (RMB 9.8 million) and the Zipper Sliders segment (RMB 0.8 million) (collectively referred as the “Zippers segment”) and the Processing segment (RMB 4.4 million).

The decrease in revenue from the Zippers segment in FY2013 was attributable to the deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy.

Faced with a weak demand in FY2013, the Group had to lower its average selling prices of its products to retain customer’s orders. Coupled with the increases in the wages in the cost of sales and increase in the cost of raw materials in the Processing segment, the Group’s gross profit decreased by RMB 4.6 million (or 8%) to RMB 50.1 million while the Group’s gross profit margin declined to 8.1% compared to 9.6% for FY2012.

On the expenses level, the Group’s general and administrative expenses increased by RMB 52.6 million to RMB 247.8 million. The increase was due mainly to the increase of RMB 95.0 million in impairment of intangible assets, mainly arising from the impairment of operating license and customer base attributable to the Processing segment. The impairment was made due to the decrease in projected revenue and profits for the next five years based on the discounted cashflows as a result of the weak market demand. The increase was partially offset by the lower provision for social security contribution in FY2013 of RMB2.5 million compared to RMB35.6 million in FY2012 as the provision in FY2012 included an underprovision of social security contribution in prior years.

As a result of the above factors, the Group suffered a net loss of RMB 224.1 million for FY2013. The Group’s loss per share was RMB 26.0 cents, compared to loss per share of 20.1 cents for FY2012. Net asset value per share decreased to RMB 0.85 as at 31 December 2013, from RMB 1.11 as at 31 December 2012.

The Group was in net cash position of RMB110.3 million (after netting off the fixed deposits pledged and bank borrowings) as at 31 December 2013, as compared to RMB68.0 million as at 31 December 2012. The improvement in net cash position was mainly due to the proceeds from disposal of investment properties in 4Q2013.

Segmental Review

	Group			Group		
	3 months Ended 31/12/2013 Unaudited	3 months Ended 31/12/2012 Unaudited	Increase/ (Decrease)	Year Ended 31/12/2013 Unaudited	Year Ended 31/12/2012 Audited	Increase/ (Decrease)
REVENUE	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Zipper Chain ⁽¹⁾	88,272	97,013	(9)	344,291	354,110	(3)
Zipper Slider ⁽¹⁾	25,290	18,000	41	85,736	86,536	(1)
Trading	32,876	28,272	16	129,845	66,885	94
Processing	21,969	21,649	1	75,984	80,344	(5)
Inter-segment sales	(5,106)	(4,678)	9	(18,649)	(19,190)	(3)
Total Group Revenue	163,301	160,256	2	617,207	568,685	9

COST OF SALES

Zipper Chain ⁽¹⁾	79,027	88,217	(10)	310,274	322,442	(4)
Zipper Slider ⁽¹⁾	21,818	15,923	37	74,859	76,200	(2)
Trading	31,865	27,073	18	126,407	63,832	98
Processing	21,424	20,596	4	74,231	70,703	5
Inter-segment sales	(5,106)	(4,678)	9	(18,649)	(19,190)	(3)
Total Group Cost of Sales	149,028	147,131	1	567,122	513,987	10

GROSS PROFIT

Zipper Chain ⁽¹⁾	9,245	8,796	5	34,017	31,668	7
Zipper Slider ⁽¹⁾	3,472	2,077	67	10,877	10,336	5
Trading	1,011	1,199	(16)	3,438	3,053	13
Processing	545	1,053	(48)	1,753	9,641	(82)
Total Gross Profit	14,273	13,125	9	50,085	54,698	(8)

GROSS PROFIT MARGIN

	%	%	% pts	%	%	%pts
Zipper Chain	10.5	9.1	1.4	9.9	8.9	0.9
Zipper Slider	13.7	11.5	2.2	12.7	11.9	0.7
Trading	3.1	4.2	(1.2)	2.6	4.6	(1.9)
Processing	2.5	4.9	(2.4)	2.3	12.0	(9.7)
Average Gross Profit Margin	8.7	8.2	0.6	8.1	9.6	(1.5)
Zipper Segment Gross Profit Margin	11.2	9.5	1.7	10.4	9.5	0.9

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

Mr Hong Qingliang (洪清涼), Executive Chairman/CEO of Fuxing China commented,

“The zipper industry as a whole continues to face business pressures caused by higher labour costs, fluctuating raw material prices and intense competition. We have to adopt a flexible pricing policy to maintain our market position. We expect the market for zippers to continue to be highly challenging and competitive for the next twelve months. Meanwhile, we will continue to exercise tight control on our administrative expenses and strive to lower our production unit cost.”

About Fuxing China Group Limited

Based in Jinjiang City, Fujian Province, Fuxing China is one of the few vertically-integrated zipper manufacturers, 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.

The Group’s zipper products are sold mainly to manufacturers of apparel and footwear products, camping equipment, bags and luggages, upholstery and furnishings, trading companies as well as other zipper manufacturers in the PRC.

Fuxing China was awarded the *PRC Top 10 Famous Zipper Brands* and the *Symbolic Brand of China* award for its “3F” brand. The Group was listed on SGX-ST in September 2007.

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