福兴集团
FUXING GROUP

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RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors of Fuxing China Group Limited (the "Company" or together with its subsidiaries, the "Group") refers to the Group's first quarter ended 31 March 2012 results announcement released via SGXNet on 14 May 2012.

The following information is provided in response to SGX-ST's queries:

1. We note that there was an increase of RMB2.4 million amortization of intangible assets expense in 1QFY2012. Please provide the reasons for the increase and the background of the intangible assets.

Company's response:

The increase of RMB2.4 million in amortization of intangible assets in 1Q2012 was due mainly to the increase in intangible assets from the 3 newly acquired subsidiaries in FY2011.

The customer base and operating license of these 3 subsidiaries were also acquired by the Group. The amortization periods for the customer base and operating license are 9 years and 21 years respectively. Further information on the customer base and operating licence are provided below:

Customer base

The existing customers under Fulong Zipper and Weaving Co., Ltd ("Fulong") and Jinjiang Jianxin Weaving Co., Ltd ("Jianxin") are long-term customers. This had been identified as an intangible asset arising from the acquisition as Fulong and Jianxin continue to receive repeated orders from these customers.

Operating licence

The electroplating industry is regulated tightly in the People's Republic of China ("PRC") due to its pollutive nature. Based on the current legislations in the PRC, there will be limited granting of such licenses to new entrants in the industry. Hence it has been identified as an intangible asset to the Group.

2. We note that the increase in prepayments from RMB12 million as at end December 2011 to RMB87 million as at end March 2012 was due mainly to the increase in advances made to suppliers. Please provide breakdown of material items such as the amount of advances made to suppliers, including the reasons why there is a need to do so.

Company’s response:

The breakdown of prepayments and the reasons are as follows:

Suppliers’ name	Amount	
福建百宏聚合纤维实业有限公司 Fujian BaiHong Polymeric Fibers Industrial Co.,Ltd.	RMB55 million	<Note 1>
厦门普利特化纤有限公司 Xiamen Pleater Chemical Fiber Co.,Ltd.	RMB15 million	<Note 1>
上海安泰科物贸发展有限公司 Shanghai Antaike Material Trade Development Co.,Ltd.	RMB3 million	<Note 2>
Other suppliers	RMB14 million	<Note 2>
Total	RMB87 million	

Notes:

1) The Group made advance payments to these suppliers to secure ready supply of raw materials at competitive prices. It is a usual practice of the Group to make advance payments to suppliers at the beginning of the year to enable the Group to secure the price and supply of raw materials for the whole year. This would enable the Group to enjoy cost savings in the event of raw material price fluctuations. The above mentioned suppliers are the Group’s major suppliers for many years.

2) These were deposits placed with suppliers for raw material orders. These are suppliers of relatively small amounts and hence grouped under “other suppliers”.

3. **We note that trade payables increased from RMB17.5 million as at end December 2011 to RMB42.2 million as at end March 2012. Please provide breakdown of material items including details of the increase in trade payables.**

Company’s response:

The breakdown of trade payables and the reasons are as follows:

Suppliers’ name	Amount	
福建省金纶高纤股份有限公司 Fujian JinLun High-Fiber Co.,Ltd.	RMB22 million	<Note 1>
福建百宏聚纤科技实业有限公司 Fujian BaiHong Poly Fiber Technology Industrial Co.,Ltd.	RMB4 million	<Note 1>
Other suppliers	RMB16 million	<Note 2>
Total	RMB42 million	

Notes:

1) The suppliers provided 45 days credit period to the Group’s subsidiaries. A majority of the raw materials were purchased in March 2012, at the end of the 1QFY2012.

2) The suppliers provided 30 to 90 days credit period to the Group's subsidiaries. These are suppliers of relatively smaller amounts and hence grouped under "other suppliers".

In 1QFY2012, to better manage the Group's cash flow, the Group deferred its settlement schedule of its trade payables to the end of the given credit period compared to the settlement schedule of approximately 1 month previously.

4. We note that amount due to directors increased from RMB5.3 million as at end December 2011 to RMB13.6 million as at end March 2012. Please provide the reasons for the need by the director to make the contribution. Are there any costs incurred or to be incurred by the Company for the contribution by the director?

Company's response:

The increase in the amount due to directors from RMB5.3 million as at 31 December 2011 to RMB13.6 million as at 31 March 2012 was due mainly to settlement of the cost of acquisition for the land in Xiamen, the salaries due to directors, and professional expenses relating to audit and legal services paid by the Group's Chairman and CEO on behalf of the Company. The reason being the Company's funds were tied in a fixed deposit and were not available until the end of 1QFY2012.

In the acquisition of the Land Parcel in Xiamen Island, the local government had requested the Group to settle the cost of acquisition of the Land Parcel within a tight period. In addition, due to the foreign exchange control in the PRC, the procedures and process in application of remittance is complicated and time consuming. The Chairman and CEO, Mr Hong Qing Liang, had therefore remitted the required amount from his personal account in Hong Kong to the Group's subsidiary to settle the cost of acquisition. As agreed with Mr Hong, no interest was charged on the funds contributed by him.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and CEO

24 May 2012