

## **FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Company Registration No.:38973)

### **RESPONSE TO QUERIES FROM SGX-ST**

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The Board of Directors of Fuxing China Group Limited (“the Company” or together with its subsidiaries, the “Group”) refers to the Group’s third quarter and nine months ended 30 September 2015 results announcement released to SGX-ST via SGXNet on 11 November 2015.

The following information is in response to the SGX-ST’s queries dated 19 November 2015:

- 1) **In paragraph 2 of the Company’s 3Q2015 Results Announcement (“Announcement”), the Company announced that inventories as at 30 September 2015 amounted to RMB99.942 million, an increase of RMB32.128 million (or 47%) when revenue fell by RMB16.941 million (or 10%) to RMB 181.933 million.**

**Please provide a breakdown by types and aging analysis of the inventories.**

**Company’s response:**

The types and aging analysis for inventories are as follows:

	1-3 months	4-6 months	>6 months	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Raw materials	45,051	7,895	3,571	56,517
Work-in-progress	9,223	-	-	9,223
Finished goods	34,202	-	-	34,202
Total	88,476	7,895	3,571	99,942

As at 31 December 2014, the inventories level of raw materials was maintained at 2-months production requirement because of the lunar new year in 1Q2015. The significant increase as at the 30 September 2015 was due to 3-months production requirement in 4Q2015.

The inventories level increased but the revenue from the Zipper segment decreased as the average selling prices in the Zipper Chain segment had decreased by 8% per kg while the sales volume had increased by 3%.

- 2) In paragraph 8 of the Announcement, the Company announced that the decrease in gross profit “was due mainly to the increase in factory overheads”.

Please elaborate by providing a breakdown and quantify reasons for the increase in factory overheads.

**Company’s response:**

The breakdown of cost of goods sold:

	9 months Ended 30/9/2015 Unaudited RMB’000	9 months Ended 30/9/2014 Unaudited RMB’000	Increase/ (Decrease) %
Opening stock	67,814	64,888	5%
Raw materials <sup>(1)</sup>	405,831	316,446	28%
Salaries	35,283	37,349	(6)
Water, electricity and gas	21,789	25,418	(14)
Depreciation	18,918	18,622	2
Spare parts	9,166	10,046	(9)
Others	3,076	3,272	(6)
	561,877	476,041	18
Less: Closing stock	(99,942)	(83,662)	19
Cost of goods sold	<b>461,935</b>	<b>392,379</b>	18

The Group’s gross profit decreased by RMB 4.9 million (or 12%) to RMB 35.0 million was mainly due to the 18% increase in cost of goods sold. As shown in the cost of goods sold breakdown above, the increase in cost of goods sold was mainly due to the 28% increase in raw materials under item 1.

- 3) In paragraph 8 of the Announcement, the Company announced “The net income represented the increase in foreign exchange gain as a result of the depreciation of RMB against USD and SGD arising from the balance in the bank account”.

Please disclose the underlying items which resulted in the significant forex movement and the factors which caused the 29% decrease in other income.

**Company's response:**

	<b>3 months Ended 30/9/2015 Unaudited RMB'000</b>	<b>3 months Ended 30/9/2014 Unaudited RMB'000</b>	<b>Increase/ (Decrease) %</b>
Other income and expenses:			
Exchange gain/(loss) <sup>(1)</sup>	5,742	(365)	NM
Government subsidies	538	305	76%
Write-back of specific provision for bad debts <sup>(2)</sup>	-	8,874	NM
Rental income	28	28	-
Other expenses	(2)	(6)	66.6
Net other income and expenses	<u>6,306</u>	<u>8,836</u>	(28.6)

NM: Not Meaningful

**Notes:**

1) The foreign exchange gain arises from the depreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances owing from subsidiaries in listco's book due to depreciation of RMB against HK dollar.

2) There was no write-back of specific provision for bad debts in 3Q2015.

The decrease in net income was mainly due to the write-back of specific provision for bad debts in 3Q2014 but there was no such write-back in 3Q2015.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**

Executive Chairman and Chief Executive Officer

23 November 2015