

FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration No.:38973)

RESPONSES TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Fuxing China Group Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to the Group’s results announcement for the Second Quarter and Half Year Ended 30 June 2018 (“**2Q2018 Results**”) released to SGX-ST via SGXNet on 14 August 2018.

The following information is in response to the SGX-ST’s queries dated 17 August 2018:

- 1. To provide a breakdown of Inventories amounting to RMB102.7 million and provide its aging schedule in bands of 3 months with upper limit specified.**

Company’s response:

The breakdown and aging analysis for inventory are as follows:

	Within 3 months	4 to 6 months	As at 30/6/2018
	RMB’000	RMB’00	RMB’000
		0	
Raw materials	41,278	115	41,393
Work-in-progress	16,495	-	16,495
Finished goods	44,797	-	44,797
Total	102,570	115	102,685

- 2. To provide a breakdown of Trade receivables amounting to RMB279.1 million and provide its aging schedule in bands of 3 months with upper limit specified.**

Company’s response:

The breakdown and aging analysis for trade and other receivables in bands of 3 months and for the longest aging aggregated in band of 6 months to 24 months are as follows:

		1-3 months	4-6 months	6-24 months	Total
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1	181,850	40,479	6,352	228,681
Bills receivables	2	21,341	-	-	21,341
Other receivables	3	-	-	29,054	29,054
Total		203,191	40,479	35,406	279,076

Notes:

- 1) Trade receivables arose from the sale of zippers, raw materials and processing services provided.
- 2) Bill receivables referred to customers' settlement by way of letters of credit.
- 3) Other receivables referred to the value added tax receivables, rental receivables, and deposits for electricity, water and gas, etc.

3. In relation to the Xiamen HQ Project:

- a. **Please disclose the payment schedule, breakdown of payment and associated interest accrued in relation to the personal loan from Hong Qing Liang to support the HQ Project;**
- b. **Please disclose the current take-up rate of the building and whether it is in line with the Company's targeted yield.**

Company's response:

- a. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who agreed to extend the personal loan interest free to support the HQ Project. As at 30 June 2018, amounts due to Mr Hong Qing Liang amounted to RMB3.7 million, a decrease of 66% (or RMB 7.2 million) compared to RMB 10.9 million as at 31 December 2017. The Group has been making periodic repayments to Mr Hong Qing Liang to reduce the amounts owing to him.
- b. As disclosed under item 8 in the 2Q18 results announcement, the leasing rate of the Group's Xiamen property was approximately 20% as at 30 June 2018. The Group targeted to lease out 60% by 31 December 2018, subject to the prevailing market conditions. The rental rates achieved is in line with current market rental rates transacted for comparable buildings in the vicinity for the past few quarters.

4. Please provide a breakdown of the General and administrative expenses for 2Q2017 and 2Q2018 and provide explanation for each material variances.

Company's response:

The breakdown of general and administrative expenses for 2Q2018 and 2Q2017 are as follows:

	2Q2018 RMB'000	2Q2017 RMB'000	Increase/ (decrease)	Notes
			%	
Salaries and benefits	6,138	4,205	46	1
Depreciation	1,249	1,024	22	2
Professional fees	794	799	(1)	3
Amortization of land use rights	226	226	-	
(Write back of)/Allowance for doubtful trade receivables	3,719	(2,397)	NM	4
Allowance for prepayments	(269)	342	NM	5
Insurance	252	63	300	6
Others	3,966	3,342	19	7
Total	16,075	7,604	111	

Notes:

- 1) Salaries and benefits increased due mainly to the increase in the number of staff after the incorporation of the property management subsidiary, namely Xiamen Xinfuxing Property Management Co., Ltd ("XXPMC") in 2018.
- 2) The depreciation for 2Q2018 increased due mainly to the depreciation expenses on those levels of the building occupied by the Group's head office in the Xiamen HQ in 2Q2018 compared to nil for 2Q2017.
- 3) Professional fees represented listing fees on the main board of Singapore Stock Exchange, audit fees, secretarial fees, etc.
- 4) The allowance for doubtful debts in 2Q2018 was due to longer credit period requests from some customers while the written back of doubtful trade receivables in 2Q2017 arose from the settlement of outstanding balances by customers.
- 5) The written back of prepayments arose from the receipt of raw materials in 2Q2018.
- 6) In 2Q2018, the insurance expenses increased on higher amounts of insured assets.
- 7) Others represented electricity, water, insurance, gasoline, repair and maintenance, etc. The increase was due mainly to other expenses incurred by XXPMC.

N.M denotes not meaningful.

5. In relation to the allowance for doubtful debts:

- a. Please clarify if the allowance for doubtful trade receivables of RMB3.72 million for 2Q2018 relates to the same customers for 2Q2017 where RMB2.4 million were written back;**
- b. Please provide the identity of the customers who requested for credit extensions;**
- c. Please disclose on their credit history with the Company and whether the Company is still supplying goods to these customers.**

Company's response:

- a. There were no repeated customers between the list of customers for allowance for doubtful trade receivables in 2Q2018 and the list of written back for doubtful trade receivables in 2Q2017.
- b. The list of customers who requested for credit extensions whereby allowance for doubtful trade receivables were provided for in 2Q2018 is as follows:

Customers

江苏金丝狐服饰有限公司

Jiangsu Jinsihu Apparels Co., Ltd.

福建省兴克体育用品有限公司

Fujian Xingke Sporting Goods Co., Ltd.

浙江三益鞋业有限公司

Zhejiang Sanyi Shoes Co., Ltd.

赣州市凯斯特体育用品有限公司

Ganzhou Kester Sporting Goods Co., Ltd.

天津福兴万家服饰有限公司

Tianjin Fuxing Wanja Clothing Co., Ltd.

青岛天池源箱包辅料有限公司

Qingdao Tianchi Source Luggage Accessories Co., Ltd.

义乌双溢服饰有限公司

Yiwu Shuangyi Clothing Co., Ltd.

泉州赢祥包袋有限公司

Quanzhou Yingxiang Bag Co., Ltd.

泉州市鑫鑫箱包制品有限公司

Quanzhou Xinxin Case & Bag Products Co., Ltd.

重庆鸿朗汽车内饰件有限公司

Chongqing Honglang Auto Interior Decoration Co., Ltd.

- c. The above are our smaller customers that are solvent and the Group still have transactions with them. On grounds of prudence, the Group will not supply goods to them till they have settled their outstanding balances. According to our financial records, there was no record of bad debts from them during the last financial year.

6. In relation to the advance payments to suppliers:-

- a. Please disclose the percentage of payment that was made in advance to the suppliers;**
- b. Please disclose the identity of the suppliers whom the Company made advance payment to, and provide a breakdown of the amount of advances paid to each supplier;**
- c. Please elaborate on how these suppliers are selected and whether they are approved by the Board.**

Company's response:

- a. The prepayments made to suppliers vary for each supplier and the percentage is not fixed. For major suppliers, the Company will make full prepayments to these suppliers after the signing of agreements. According to the purchase agreements, the prepayments can be refunded (without interest) in the event of no delivery of goods by the agreed date. For other smaller suppliers, the Company will normally make prepayments of about 30% of the respective contract value and the Company has 30 days credit period to settle the remaining 70% of the contract value.
- b. Breakdown of the advances paid to our suppliers as at 30 June 2018 is as follows:

Major suppliers	As at 30 June 2018
	RMB'000
福建省金纶高纤股份有限公司	10,091
Fujian Jinlun Fiber Shareholding Co., Ltd	
福建百宏聚纤科技实业有限公司	4,892
Fujian Baihong Jujian Technology Industry Co., Ltd	
川荣 (上海) 国际贸易有限公司	1,589
Chuanrong (Shanghai) International Trade Co., Ltd	
玉龙翔化纤 (福建) 有限公司	932
Yulongxiang Chemical Fiber (Fujian) Co., Ltd.	
福建省金纶高纤股份有限公司	800
Fujian Jinlun Fiber Shareholding Co., Ltd	
泉州聚海贸易有限公司	520
Quanzhou Juhai Trading Co., Ltd	
Sub-total	18,824
Other miscellaneous suppliers	8,122
Total	26,946

- c. The Group has its internal procedures to assess the performance of its suppliers annually, which include inter alia reviewing the suppliers' business registration documents, arranging formal meetings with suppliers, reviewing the quality and timeliness of the supply of raw materials every year. The Group also has its authorization matrix in governing prepayment process. All prepayments need to be approved by at least 1 Executive Director before payments are made to the suppliers.

BY ORDER OF THE BOARD

Hong Qing Liang

Executive Chairman and Chief Executive Officer

21 August 2018