

# **FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Company Registration No.:38973)

## **RESPONSES 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 results announcement for the financial year ended 31 December 2022 (“FY2022”) (the “Results Announcement”) released to SGX-ST via SGXNet on 1 March 2023.

The following information is in response to the SGX-ST’s queries dated 9 March 2023:

- 1. We note that investment properties had increased to RMB 38.6 million in FY2022 which is approximately 86% of the current market capitalisation of the Company. Please disclose:**
  - (a) the details of the investment properties, including but not limited to the investment objective, location of the investment properties, whether the investment properties are tenanted and the occupancy rates and how the value of the investment properties was determined;**
  - (b) the details required under Listing Rule 1010; and**
  - (c) whether the Company had sought shareholders' approval for the investment under Listing Rule 1014 and if not, please explain why not.**

### **Company’s response:**

- a) The investment properties represented the unsold office units in the lower floors of level 2 to 4 in the Company’s office building, Xiamen HQ and all of the units are currently leased out for rental income.

The investment properties are stated at fair value based on the properties’ highest and best use, determined based on valuation performed as at 31 December 2022 by independent valuer, Jin Jiang Decheng Asset Appraisal Co., Ltd. The independent valuer has the recognised and relevant professional qualification and relevant recent experience in the location and category of the properties being valued. The valuation was based on the direct market comparison approach that makes reference to the market values of comparable properties in the same area.

- b) The investment properties which comprised of the unsold office units was previously classified as “assets held for sale” amounting to RMB38.6 million under current assets in the Audited Report for FY2021. For FY2022, the Management performed an assessment and was of the view that the sale of the office units is not highly probable within the next 12 months. Despite the Company’s best sale efforts, the said office units still remained unsold. As such, the Company decided to continue to hold the office units for rental income. Accordingly, the unsold office units was classified to

“investment properties” in FY2022. The investment properties pertained to the unsold office units of the Company’s office building, which was re-classified from assets held for sale in FY2021 to investment properties in FY2022. The re-classification was not an acquisition transaction and thus did not result in any material change in the net tangible assets for the Group. As such, Listing Rule 1010 is not applicable.

c) As explained under (b) above, the re-classification of the unsold office units of the Company’s office building to investment properties was not an acquisition transaction. As such, Listing Rule 1014 is not applicable. The Company had previously sought shareholders’ approval for the construction of the office building.

**2. We note that trade and other receivables had increased to RMB 286.5 million in FY2022.**

**Please disclose:**

- (a) aging of the Group’s trade and other receivables;**
- (b) details of the Group’s underlying transactions of its other receivables and the terms of the transactions;**
- (c) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates; and**
- (d) The Board’s assessment of the recoverability of the remaining trade and other receivables.**

**Company’s response:**

(a)&(b) Breakdown and aging of trade and other receivables as follows:

	Within 3	3 to 6	More than 6	Total	Note
	months	months	months		
	RMB’000	RMB’000	RMB’000	RMB’000	
Trade receivables	156,825	52,221	97,559	306,605	
Less: loss allowance			(50,697)	(50,697)	
	156,825	52,221	46,862	255,908	<1>
Bills receivables	5,779	-	-	5,779	
Other receivables					
-晋江金泉环保有限公司	1,530	1,530	10,200	13,260	<2>
VAT receivables	3,127	-	7,366	10,493	<3>
Others	1,090	-	-	1,090	<4>
Total	168,351	53,751	64,428	286,530	

**Notes:**

1) The Management has performed credit risk assessment on the trade receivables outstanding, whereby loss allowance of RMB50.7 million was provided on the RMB97.6 million outstanding for more than 6 months. After netting of the loss allowance of RMB50.7 million, net amounts outstanding for more than

6 months amounted to RMB46.9 million, mainly pertaining to a few big customers whereby the Group are still trading with them and the Management was of the view that recovery of the amounts outstanding from them are probable in the next few months.

- 2) The amount represented the down payment paid for one sewerage engineering project for the processing segment to improve the sewage water discharge process so as to comply with the stringent environmental laws. This was incurred in the ordinary course of business on normal commercial terms. Upon completion of the project, the amount will be charged to the profit and loss, thus the recoverability assessment is not applicable.
- 3) The amount represented VAT receivables on purchases for the zipper segment. This was incurred in the ordinary course of business on normal commercial terms. The amount will be net off against the VAT payables on sales, thus the recoverability assessment is not applicable.
- 4) Others represented prepayment for purchase of consummable materials (eg. packing materials) and provisional tax payment in Hong Kong. All were incurred in the ordinary course of business on normal commercial terms.

- c) The debtors are not related to any directors, key executives, substantial shareholders or their respective associates.
- d) The recoverability of the other receivables is explained under the above notes (1) to (4). The recoverability assessments are dependent on the nature of the underlying transactions.

**3. In relation to Note 9 (Related Party Transactions), please quantify and provide details of the material related party transactions disclosed elsewhere in the financial statements.**

**Company's response:**

The material related party transactions and arrangements was reflected in Note 19 “Amount due to directors (non-trade)” in the financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

**4. We note from page 27 that “the amount due to a director was payment made by Mr Hong Qing Liang on behalf of the Company for professional fees and expenses, eg. audit fee, listing expenses for the secondary listing, etc incurred by the Company”.**

**We also note that on 8 July 2022, the Company disclosed that Mr Hong Qing Ling has undertaken to the Company that "in the event that the Potential NASDAQ Listing and Placement are not completed or are aborted for any reason whatsoever, Mr Hong has irrevocably and unconditionally undertaken to the Company that he shall bear all such**

**Listing Costs and Expenses and shall waive in full any and all repayment to him by the Company in respect of such Listing Costs and Expenses".**

**Please provide a status update on the NASDAQ application and the reason why these amounts are still considered as owing to Mr Hong.**

**Company's response:**

For the proposed secondary listing on Nasdaq Stock Market, the Company wishes to update that the Company is currently still in the stage of extensive preparatory work, whereby the auditors and the legal counsels are in the midst of preparing their respective reports for the listing submission. The Company will make further announcements as and when there are material developments in relation to the potential listing.

The Company is required to pay a withholding tax on the outward remittances to entities outside of China if the remittances are made from local banks in China without the requisite license on international remittances. However, outward remittances made from Hong Kong are exempted from such withholding tax. As such, the Company has arranged with Mr Hong Qing Liang ("Mr Hong") that the payment of professional fees and other expenses by the Company to entities **outside of China** (i.e. Singapore and United States of America etc) are to be made from his personal account in Hong Kong to the Company's account in Hong Kong. As such, Mr Hong will remit funds to the Company's account for the listing compliance costs to entities in Singapore, and the secondary listing expenses to entities in United States of America. Once the funds are received into the Company's account, the Company will record the amounts received as amounts owing to Mr Hong first.

In relation to the secondary listing expenses, upon payment of the expenses, the amounts owing to Mr Hong are reduced accordingly. As disclosed in Note 19, the net amounts due to directors of approximately RMB147,000 was mainly for the listing compliance costs in Singapore. If the listing is not completed or aborted, Mr Hong will bear all such listing costs as agreed per the undertaking signed as disclosed on 8 July 2022.

**FOR AND ON BEHALF OF THE BOARD**

**Hong Qing Liang**

Executive Chairman

13 March 2023