FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)
(Company Registration No.:38973)

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 third quarter and nine months ended 30 September 2014 results announcement released to SGX-ST via SGXNet on 10 November 2014.

The following information is in response to the SGX-ST's queries dated 1 December 2014:

1. **On page 15 of the Financial Statements, it is stated that the increase in prepayments to suppliers by RMB 10.8M to RMB 88.6M was due mainly to an increase in demand for raw materials as a result of an increase in production capacity.**

a) **Please provide a breakdown of the prepayments by type.**

Company's response:

The breakdown of the prepayments is as follows:

	RMB million
Raw materials (1)	79.6
Plant and machinery (2)	4.6
Construction costs (3)	1.1
Others (4)	3.3
Total balance as at 30 September 2014	**88.6**

Notes:

(1) It is a usual practice of the Group to make advance payments to its suppliers to secure a ready supply of raw materials at competitive prices. This would enable the Group to reap cost savings in the event of material price fluctuations.

(2) The prepayment balance represented the deposits paid for purchases of machinery.

(3) These are deposits for the construction costs required under the construction contract in relation to the construction of Company's Xiamen Headquarters.

(4) Others included prepayments for advertising fee, water, electricity, etc.

b) **The Company disclosed that the increase in prepayments was due mainly to an increase in demand for raw materials as a result of an increase in production capacity. However, the Company stated in its prospect statement that it does not expect the business environment to improve. Further, inventory levels have increased by ~29%, from RMB 64.888M to RMB 83.662M.**

Please explain the rationale for the significant increase in prepayments given the aforementioned and provide the ageing schedule of the prepayments.

Company's response:

For production efficiency purpose, the Group holds a 3-month raw materials inventory during the nine months ended 30 September 2014 compared to a 2-month raw materials inventory as at 31 December 2013. As a result, more purchases of raw materials were made during the nine months ended 30 September 2014 to meet the production requirements notwithstanding the Group does not expect the business environment to improve.

The ageing schedule of the prepayments is as follows:

	30 days	60 days	90 days	Over 90 days
	RMB'million	RMB'million	RMB'million	RMB'million
Prepayments	49.4	1.7	2.5	35.0

2. **On page 15 of the Financial Statements, it is stated that trade payables increased by RMB 5.6M to RMB 14.3M due mainly to an increase in demand for raw materials as a result of an increase in production capacity.**

a) **Please quantify and disclose the increase in production capacity.**

Company's response:

The production capacity is as follows:

Production capacity ('000 kg)

	9 months ended 30/9/2014	9 months ended 30/9/2013	% increase
Zipper Chains	18,937	16,969	11.6
Zipper Sliders	3,222	2,871	12.2
Processing	9,209	8,770	5.0

b) **Given that 'Cost of sales' increased by only 1% and that 'Prepayments' increased by 14%, please elaborate on what these trade payables are for and where, in the profit and loss statement, are these payables recorded.**

Company's response:

The trade payables represented the balances owed to suppliers for the purchases of raw materials in the Statement of Financial Position. The purchases of raw materials were included in the computation of the cost of goods sold in the Income Statement.

Cost of sales increased by only 1% mainly due to the partial automation of the Group's production process which resulted in the decrease in factory overheads.

As explained in the above reply in question 1(b), the significant increase in trade payables was mainly due to the Group's holding a 3-month raw materials requirement for the purpose of production efficiency compared to 2-month raw materials requirement as at 31 December 2013.

3. **On page 16 of the Financial Statements, it is stated that short-term bank loans increased by RMB 69.1M to RMB 211.8M due mainly to a new bank loan of RMB 60M secured for the financing of the Group's Xiamen Headquarters project.**

a) **Please disclose the completion date of the Xiamen Headquarters project and explain how the project would impact the Company in terms of revenue, expenses and capacity.**

Company's response:

The expected completion date of the Xiamen Headquarters project will be in June 2016 and the exact completion date will depend on the progress of the construction. The total floor area of the Xiamen Headquarters is approximately 51,612 sqm. As a portion of the Xiamen Headquarters will be leased out or dispose of, the rental income and/or the income from disposal of such investment properties will be recognized as other income after completion of the construction. The management costs, interest expenses, repairs and property maintenance costs attributable to the Xiamen Headquarters will be recognized as expenses of the Group. There is no impact on the production capacity as the Xiamen Headquarters are intended for office usage and will not house any production facilities.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
2 December 2014