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

**RESPONSES 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 2016 results announcement released to SGX-ST via SGXNet on 10 November 2016.

The following information is in response to the SGX-ST's queries dated 28 November 2016:

1. **Please provide a breakdown of the Group's Trade and Other Receivables of RMB256.31 million, including an aging schedule. Kindly also disclose the nature of the underlying as well as significant transactions for the Other Receivables.**

**Company's response:**

*Breakdown and aging schedule of trade and other receivables is as follows:-*

| Trade and other receivables | 1 to 90 days RMB'000 | 91 to 180 days RMB'000 | > 180 days RMB'000 | Total RMB'000 | Notes |
|---|---|---|---|---|---|
| Trade receivables | 180,100 | 29,737 | 34,918 | 244,755 | <1> |
| Bills receivables | 4,746 | - | - | 4,746 | <2> |
| Other receivables | 753 | 69 | 5,986 | 6,808 | <3> |
| Total | 185,599 | 29,806 | 40,904 | 256,309 | |

***Notes:***

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

**2. With regards to the increase in the Group's revenue due to the increase in revenue of the Trading Segment and the Zipper Slider Segment,**

**a. Please provide the reasons for the increase in revenue for the Zipper Slider Segment and the factors that resulted in the Group's increase in revenue of RMB126.6 million.**

**b. Please provide details to substantiate the fall in revenue for the Zipper Chain Segment and the Processing Segment when there was an increase in revenue for the Zipper Slider Segment and the Trading Segment.**

**c. What is the current utilization of the plants' capacity?**

**Company's response:**

a. The increase in revenue for the Zipper Slider Segment was mainly due to the increase in sales volume arising from the stable quality achieved following the partial automation of plant and machinery in production of zipper sliders.

b. The increase in revenue from the Trading segment amounted to RMB 126.6 million was due to an increase in the sales orders from customers during 9M2016 as disclosed in the Company's announcement of 10 November 2016. The decrease in revenue from the Zipper Chain segment and the Processing segment in 9M2016 was attributable to a deteriorating market for the zipper industry in the PRC which was adversely affected by the general slowdown in the global economy. This had resulted in the decrease in sales orders from customers.

c. The current utilization of the plants' capacity is as follows :

- Zipper Slider segment - approximately 66%;
- Zipper Chain segment - approximately 85%; and
- Processing segment - approximately 32%.

**3. We note the Group recorded as increase of 174%, from RMB6.4 million in 9M2015 to RMB17.69 million in 9M2016 under Other Income and other expenses, due to a gain on disposal of a subsidiary - Qingdao Hong Shi High Technology Co. Ltd, government subsidies, refund of unclaimed cash dividends distribution, rental income and foreign exchange gain.**

**a. Please disclose if shareholders' approval was sought for the disposal of Qingdao Hong Shi High Technology Co. Ltd. Kindly provide reasons if shareholders' approval was not sought.**

**b. Please disclose the nature of the underlying transactions that resulted in the foreign exchange gain.**

**Company's response:**

a. The Company had obtained approval from its shareholders for disposal of Qingdao Hong Shi Technology Co. Ltd. at a Special General Meeting held on 28 April 2016 . The results of the SGM were also disclosed via SGXNet on the same day.
b. The foreign exchange gain arose 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 the Company's book due to the depreciation of RMB against HK dollar.

4. **Under General and administrative expenses on page 12 of the Financial Statement, the Group states that "General and administrative expenses increased by RMB6.6 million (19%) to RMB41.6 million. This was mainly due to the RMB9.4 million increase in allowance for doubtful debts as a result of longer credit period requests from some customers. These customers are not the Group's major customers.**

   a. **Please provide the reasons for granting longer credit terms to the Group's non major customers.**
   b. **Please also disclose the financial standing of these customers and what are the legal actions being taken for the non-payment.**

**Company's response:**

a. Due to the economy slowdown in the PRC, the Group's customers had requested for longer credit terms. The Group had obliged to its customers' request for longer credit terms in order to retain the customers. According to the Group's accounting policy, the extended credit period will be accounted for as allowance for doubtful debts on a prudent basis.
b. These customers are solvent and continue to trade with the Group on a regular basis. Management is closely monitoring the collections of these customers and for the cases of long outstanding debts, the salespersons would visit the customers' offices to follow up and collect the outstanding balances from them in cash. So far, there are no cases of non-payment from these customers and accordingly, no legal actions are required.

5. **Under the Group's non-current assets, the Group announced an increase in investment property due to the recognition of the construction cost of the Group's Xiamen Headquarters Project ("HQ Project") during 9M2016. Please provide details of this HQ Project, including the rationale and the cost of the construction and how it was funded.**

**Company's response:**

The details of the HQ Project were stated in the Company's circular dated 28 October 2011 ("the Circular"). Based on the current construction plan, the HQ Project will consist of 25 floors of offices and 4 basement levels. Floor areas of the offices and basement levels are approximately 33,970 square metres and approximately 17,640 square metres respectively. The total built-up area of the HQ Project is approximately 51,610 square metres.

Rationale for the HQ Project

As disclosed in the Circular, the office building will accommodate the Company's administrative operations and serve as the headquarters of the Group. In addition, the Company has the option to lease out or sell any premises in excess of its needs and requirements, subject to compliance with the applicable PRC laws and relevant local governmental directives and stipulations.

Costs of Construction

Based on the total floor area of 51,610 square metres, the estimated costs of construction would be approximately RMB 280 million excluding costs of interior design works.

Source of Funds

The total costs of the acquisition of the Target Land Parcel was satisfied by internally generated funds. The total construction costs of the HQ Project will be satisfied using internally generated funds as well as bank borrowings. As at 30 September 2016, approximately RMB110 million of the total construction costs was funded by bank borrowings with the rest funded by internal cash balances.

6. **Under Current Assets, the Group's inventories increased by 25% due to a build-up of inventory as the Group held a 3-month material requirements for the purpose of production efficiency compared to a 2-month raw material requirement as at 31 December 2015. Kindly elaborate how the increase of 25% to RMB 72.4 million of the Group's inventory, due to the Group holding a 3-month raw material requirement, contributed to the Group's production efficiency.**

**Company's response:**

A 2-months raw materials requirement for production was maintained during its 4th quarter 2015 as the lunar New Year holidays took place in the 1st quarter of 2016. As the Group will normally grant its workers up to 1 month holidays during 1Q2016, the raw materials inventories would be maintained for a 2-months production requirements.

As at 30 September 2016, a 3-months raw materials requirement was maintained in order to satisfy the production requirements in 4Q2016. The Group planned its production every 3 months to meet the sales orders and it is the Group's practice to maintain a 3 months raw materials holding period after taking into consideration that the delivery lead time from our suppliers is 3 months. The 25% increase in inventory was due mainly to the increase in purchase of raw materials.

**7. We note that the Group will secure signed supply agreements with its various suppliers in order to provide these suppliers with prepayment advances.**

**a. Please disclose how many such agreements have been signed;**

**b. The total amount of prepayment advances paid to suppliers and major suppliers who received the advances, their financial standing to fulfill and refund the amount of advances placed.**

**Company's response:**

| Name of supplier | Amount RMB'000 | No. of contracts signed | Notes |
|---|---|---|---|
| 福建百宏聚纤科技实业有限公司<br>Fujian Billion High-Tech Material Industrial Co. Ltd. | 29,175 | 2 | <1> |
| 上海安泰科物贸发展有限公司<br>Shanghai Antaike Materials & Trading Co. Ltd | 9,539 | 2 | <1> |
| 福建省金纶高纤股份有限公司<br>Fujian Jinlun Fuber Shareholding Co. Ltd. | 9,302 | 1 | <1> |
| Others | 10,218 | 206 | <2> |
| Total | 58,234 | 211 | |

***Notes:***

1) Prepayments to suppliers were meant for purchases of raw materials such as zinc, polyester, etc. The above mentioned major suppliers are solvent and well established manufacturers in the packaging materials industry. The Group has been trading with these suppliers on a regular basis for a number of years. All the prepayments will be utilized with subsequent purchases of raw materials by the Group.

2) "Others" represented the prepayments for purchase of raw materials, consumable goods, office accessories, IT services, repairs and maintenance services and spare parts, etc. The prepayments will be utilized with subsequent purchases or services provided.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**
Executive Chairman and Chief Executive Officer
30 November 2016