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 First Quarter Ended 31 March 2018 results announcement ("1Q2018 Results") released to SGX-ST via SGXNet on 2 May 2018. The following information is in response to the SGX-ST's queries dated 8 May 2018:

1. **Please confirm if the Company had accounted to the shareholders why the cost of HQ Project exceeded the amount previously approved in 2011 during the AGM that was conducted on the 27 April 2018.**

   Company's response:

   The Company confirmed that it had accounted to its shareholders on the variance of the total actual construction cost and the previously approved estimated amount of its HQ Project at its recent AGM held on 27 April 2018.

2. **Please provide details of the Restructuring reserve and how the amount was derived.**

   Company's response:

   In connection with the listing of the Company on the Mainboard of SGX-ST in 2007, a restructuring exercise was carried out whereby the Company became the holding company of the Group. The restructuring reserve represented the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of the subsidiaries acquired which was accounted for under "merger accounting". As the nominal value of shares issued by the Company was higher than the nominal value of shares and capital reserve of subsidiaries acquired, the restructuring reserve was a negative RMB117.8 million.

3. **Other payables and accruals amounted to RMB227.6 million as at 31 March 2018:-**
   a. **Please provide a breakdown and aging analysis in bands of 3 months with upper limit specified.**
   b. **Disclose the nature of the items under Other payables & accruals and provide reason why these amounts were incurred.**

Company's response:

a) The breakdown and aging analysis of "Other payables & accruals" are as follows:

	Within 3 months	4 to 6 months	Over 6 months	As at 31/3/2018	Notes
	RMB'000	RMB'000	RMB'000	RMB'000	
Provision for minimum tax contribution	-	-	95,000	95,000	<1>
Accrued construction costs of Xiamen Headquarter	-	-	17,505	17,505	<2>
Accrued salaries and bonuses	4,920	-	32,780	37,700	<3>
Advances from customers	20,710	3,081	33,902	57,693	<4>
Others	8,216	2,204	9,287	19,707	<5>
Total	33,846	5,285	188,474	227,605	

b) Nature of the respective item is explained below:

1. Provision for minimum tax contribution expenses was provided for the operating of business in Xiamen Island.
2. Accrued construction costs for contractors were amounts to be paid under the signed contracts for the construction of Xiamen Headquarter.
3. Accrued salaries and bonuses represented provision for social security contribution.
4. Advance payments received from customers were for placement of orders of goods.
5. Others included VAT tax payables, electricity, water, purchases of consumable goods, legal and professional fees, etc.

4. In relation to the circular Caishui 2008 No.001, please advise whether the Company is intending to declare any dividends. If so, please provide details on its dividend distribution policy.

Company's response:

In view of the challenging business environment, the Group has to be prudent in its capital management. The Board did not propose the payment of dividend for 1Q2018 due to the need to conserve cash for the Group's working capital requirements. The Company currently does not have any dividend distribution policy. The Company will consider the declaration of dividend in the future after taking into account the Group's operating results, financial conditions, other cash requirements including capital expenditure, the terms of the borrowing arrangements and other relevant factors.

5. **Prepayment for purchase of machinery amounted to RMB29.68 million as at 31 March 2018:-**
   a. **Please disclose when was depreciation made on the machinery.**
   b. **Provide reason for acquisition of new machinery.**
   c. **Provide details on the machineries to be purchased.**
   d. **What is the total cost of purchase and how will it be funded.**
   e. **Disclose when will the acquisition be completed and new capacity come onstream.**

Company's response:

Referring to the Group's balance sheet on page 3 of the 1Q2018 Results, the prepayment under "Non-current assets" was RMB 298,000, and this was explained on page 13 as deposits paid for purchases of machinery. The prepayment under current assets of RMB29.68 million as explained on page 14 represented advances to suppliers mainly for procurement of raw materials and prepaid operating expenses.

a) The depreciation on the machinery will be made in the month when it is delivered and used in production, which is expected to be in October 2018.
b) The new machinery was acquired to replace the old machinery.
c) The machineries to be purchased are injection machines which will be used in the production of finished zippers.
d) The total cost of purchase is RMB 315,000 and it will be funded internally.
e) The new machineries will be delivered and installed in October 2018. The machineries are not expected to have any material impact on the production capacity as they are replacement of the old machineries.

6. **In relation to Inventories:-**
   a. **To provide breakdown of the type of inventory as at 31 March 2018 vs 31 December 2017, and provide aging analysis in bands of 3 months with upper limit specified.**
   b. **To elaborate why the Company switched to a 3 month raw materials production requirement and how is this able to help production efficiency compared to a 2 month raw material production requirement.**

Company's response:

a) The breakdown and aging analysis for inventory are as follows:

	Within 3 months	4 to 6 months	As at 31/3/2018	As at 31/12/2017	% increase
	RMB'000	RMB'000	RMB'000	RMB'000	
Raw materials	54,630	887	55,517	12,986	328
Work-in-progress	12,879	-	12,879	10,754	20
Finished goods	37,628	-	37,628	32,755	15
Total	105,137	887	106,024	56,495	88

As at 31 March 2018, approximately 99% of inventories purchased were utilized in the production within 3 months.

b) A 2-month raw materials requirement for production was maintained as at 31 December 2017 in view of the Chinese New Year holidays in the 1st quarter of 2018. As the Group will normally grant its workers up to 1 month holidays during 1Q2018, the raw materials inventories were maintained for a 2-month production requirement.

As at 31 March 2018, a 3-month raw materials requirement was maintained in order to satisfy the production requirement in 2Q2018. The Group forecasts its production requirement every 3 months to fulfill the sales orders. It is the Group's practice to maintain a 3-month raw materials holding period after taking into consideration of the 3-month delivery lead time from its suppliers. For production efficiency purpose, a sufficient inventory level must be maintained for production.

7. In relation to Advances to suppliers:-

a. To provide a breakdown of trade and other receivables of RMB282.9 million, and provide aging schedule in bands of 3 months with specified upper limit.

b. To disclose what is total contracted value of raw materials secured that has resulted in the prepayments made to the suppliers.

Company's response:

a) The breakdown and aging analysis for trade and other receivables are as follows:

	1-3 months	4-6 months	>6 months	Total	Notes
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	185,966	42,655	15,318	243,939	<1>
Bills receivables	24,008	-	-	24,008	<2>
Other receivables	1,718	-	13,199	14,917	<3>
Total	211,692	42,655	28,517	282,864	

Notes:

1)Trade receivables arose from the sale of zippers, raw materials and processing services by the Group.

2) Bill receivables represented customers' settlements by way of letters of credit.

3) Other receivables represented the value added tax receivables, and rental receivables etc.

b) As at 31 March 2018, prepayments under current assets amounted to RMB29.68 million which represented mainly advances to suppliers for procurement of raw materials. The total contracted value of raw materials secured that has resulted in the prepayments made to the suppliers was approximately RMB45.9 million.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
10 May 2018