**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 fourth quarter ("4Q2018") and full year ended 31 December 2018 ("FY2018") results announcement ("the results announcement") released to SGX-ST via SGXNet on 28 February 2019.

The following information is in response to the SGX-ST's queries dated 7 March 2019:

1. **The net allowance for advances to suppliers amounted to RMB6.03 million where the Company's profit for the year ended 31 December 2018 is RMB7.08 million,**
   a. **Please disclose the identities of suppliers which advances were made to.**
   b. **Please disclose the type of goods being supplied by each of them.**
   c. **Please explain if the Company previously paid to these suppliers where it had similarly made allowances and provisions for?**
   d. **Please explain if these suppliers have any other transactions and/or other relationship with the Company, directors, key management or substantial shareholders and their respective associates?**

**Company's response:**

a.&b. The identities of the suppliers and the type of goods and services being supplied are as follows:

| Names of Suppliers | RMB'000 | Notes |
|---|---|---|
| 上海弘堡实业有限公司 Shanghai Hongbao Industrial Co., LTD | 922.2 | <1> |
| 江苏吉华化工有限公司 Jiangsu Jihua Chemical Co. LTD | 579.9 | <2> |
| 晋江市天健工程建设有限公司 Jinjiang Tianjian Engineering Construction Co. LTD | 569.3 | <3> |
| 上海斯达拉姆德一机械制造有限公司 Shanghai Starlamond Mechanical Manufacturing Co., LTD | 460.0 | <1> |
| 福建宏瑞建设工程有限公司厦门分公司 Fujian Hongrui Construction Engineering Co. Ltd, Xiamen Branch | 391.0 | <3> |
| 温州市金龙拉链机械有限公司 Wenzhou Jinlong Zipper Machinery Co. Ltd | 377.3 | <1> |
| 绍兴市荣越化工有限公司 Shaoxing Rongyue Chemical Co. Ltd | 335.1 | <3> |
| 厦门东宏机械有限公司 Xiamen Donghong Machinery Co. Ltd | 292.5 | <1> |
| 深圳市百事达精密机械有限公司 Shenzhen Bestar Precision Machinery Co. Ltd | 260.0 | <1> |
| 上虞市龙科化工贸易有限公司 Shangyu Longke Chemical Trade Co. Ltd | 246.0 | <2> |
| 浙江汇德隆染化有限公司 Zhejiang Huidelong Dyeing and Chemical Co. Ltd | 218.0 | <2> |
| 山东寿光广汇化工有限公司 Shandong Shouguang Guanghui Chemical Co. Ltd | 211.0 | <2> |
| 肇庆晋业金属电子制品有限公司 Zhaoqing Jinye Metal Electronic Products Co. Ltd | 209.7 | <1> |

| | | |
|---|---|---|
| 深圳市君盛达自动化设备有限公司 Shenzhen Junshengda Automation Equipment Co. Ltd | 158.4 | <1> |
| 东莞市清溪东棱拉链机械销售部 Dongguan Qingxi East Edge Zipper Machinery - Sales Department | 157.1 | <1> |
| 福建省拉链同业商会 Fujian Zipper Trade Association | 135.0 | <4> |
| 福建华大环保工程有限公司 Fujian Huada Environmental Protection Engineering Co. Ltd | 116.5 | <1> |
| 泉州中升雷克萨斯汽车销售有限公司 Quanzhou Zhongsheng Lexus Automobile Sales Co. Ltd | 101.4 | <1> |
| Others companies | 291.6 | <2> |
| Total | 6,032.0 | |

***Notes:***

1) The prepayment was for the spare parts required for repair and maintenance of plant and machineries.
2) The prepayment was for raw materials purchase for the Group's operations.
3) The prepayment was for an environmental project targeting waste water treatment. This is to comply with the new environmental protection laws recently enacted in the People's Republic of China ("PRC"), such as the revised Water Pollution Prevention and Control Law to combat water pollution. The revised laws imposed higher penalties for breaches of the laws.
4) The prepayment was for 2019 membership fee to the Zipper Association. Such membership expands the Company's network and enables the Company to be kept updated with the latest industry news and events.

c. The Company has not conducted similar transactions with and made similar allowances and provisions for the above suppliers previously.

d. The above suppliers have no transactions and no other relationships with the Company, directors, key management or substantial shareholders and their respective associates.

**2. Please disclose the identities and provide the total contracted value of raw material which the Company secured which resulted from the prepayments made to suppliers at RMB84.6 million.**

**Company's response:**

| **Name of suppliers** | **Contracted value RMB'000** |
|---|---|
| 福建省金纶高纤股份有限公司 Fujian Jinlun High Fiber Co. Ltd | 36,210 |
| 福建百宏聚纤科技实业有限公司 Fujian Baihong Poly Fiber Technology Industrial Co. Ltd | 25,548 |
| 福建龙翌君瑶商贸有限公司 Fujian Longyi Junyao Trading Co. Ltd | 4,319 |
| 安徽东锦资源再生科技有限公司 Anhui Dongjin Resource Regeneration Technology Co. Ltd | 2,854 |
| 玉龙翔化纤（福建）有限公司 Yu Long Xiang Chemical Fiber (Fujian) Co. Ltd | 1,383 |
| 泉州聚海贸易有限公司 Quanzhou Juhai Trading Co. Ltd | 1,119 |
| 常州市协阳线业有限公司 Changzhou Xieyang Line Co. Ltd | 1,106 |
| Others companies (for contracted values amounting to less than RMB1 million) | 12,103 |
| Total | 84,642 |

The contracted values of raw materials were the same as the prepayments as the suppliers had required 100% prepayments before delivery of raw materials. Due to the deteriorating market in the garment industry in the PRC, most of the suppliers required their customers to make full payment before delivery of raw materials with no credit period granted.

3. **The amount paid to suppliers in 4Q2018 amounted to RMB26.9 million based on the cash flow statement. Please disclose specifically the details of underlying contracts and in which month was the prepayment made to the suppliers.**

**Company's response:**

| Names of suppliers | Dec 2018 RMB'000 | Nov 2018 RMB'000 | Oct 2018 RMB'000 | Total RMB'000 | Notes |
|---|---|---|---|---|---|
| 玉龙翔化纤（福建）有限公司 Yu Long Xiang Chemical Fiber (Fujian) Co. Ltd | 161.4 | 463.6 | 194.5 | 819.5 | <1> |
| 福建省金纶高纤股份有限公司 Fujian Jinlun High Fiber Co. Ltd | - | - | 1,974.1 | 1,974.1 | <2> |
| 泉州聚海贸易有限公司 Quanzhou Juhai Trading Co. Ltd | - | 722.3 | 396.9 | 1,119.2 | <3> |
| 福建百宏聚纤科技实业有限公司 Fujian Baihong Poly Fiber Technology Industrial Co. Ltd | 16,916.4 | 5,313.5 | - | 22,229.9 | <4> |
| Others companies | 781.7 | - | - | 781.7 | <5> |
| Total | 17,859.5 | 6,499.4 | 2,565.5 | 26,924.4 | |

***Notes:***

1) The prepayment was for purchases of stitches.
2) and 3) The prepayment was for purchases of polyesters.
4) The prepayment was for purchases of polyester chips.
5) The prepayment was for purchases of other raw materials.

All the above named suppliers required 100% prepayments to be made before delivery.

4. **In relation to Cash and bank balance:**
   a. **Please elaborate why the Company's cash and bank balance had reduced significantly by 85.7% from RMB166.6 million as at 31 December 2017 to only RMB23.7 million as at 31 December 2018.**
   b. **Please disclose the bank which the Company took loans from and discuss the main reason why the bank did not roll over its loan to the Company and whether the Company will be able to repay its short-term obligation of RMB221.4 million when they come due in 2019.**

**Company's response:**

a. The Company's cash and bank balance had decreased significantly by RMB 142.9 million or 85.7% to RMB23.7 million as at 31 December 2018.As disclosed on page 6 of the results announcement under the cashflow statement, the decrease was mainly due to:
(i) Net cash outflows of RMB97.8 million in financing activities mainly due to net repayment of RMB89.2 million of bank borrowings; and
(ii) Net cash flows used in investing activities of RMB 33.1 million arising from purchase of plant and machineries of RMB 33.1 million.

b. Please refer to the below table extracted from page 4 of the results announcement. A summary of the Group's borrowings and debts securities is as follow:

| | As at 31 December 2018 | | Notes |
|---|---|---|---|
| | **Secured** | **Unsecured** | |
| | **RMB'000** | **RMB'000** | |
| Short-term bank loans | | | |
| - China CITIC Bank | 112,000 | - | <2> |
| - Industrial and Commercial Bank of China – Longhu Jinjiang Branch | 7,900 | - | <3> |
| - Hang Seng Bank | - | - | <1> |
| - China Construction Bank Dongqu Branch | 82,500 | - | <4> |
| - Fujian Jinjiang Agricultural Bank – Longhu Branch | 19,000 | - | |
| Total | 221,400 | - | |

***Notes:***

1) As disclosed on page 5 of the results announcement, the banking facilities from Hang Seng Bank had lapsed in 3Q2018 and repayment was made by Mr Hong Qing Liang, the Company's CEO and Executive Director, on behalf of the Company upon expiry of the bank loans.

Hang Seng Bank's offer of new bank facilities were however of a lower quantum subsequent to the disposal of personal properties by Mr. Hong Qing Liang which were used to pledge against Hang Seng Bank's initial banking facilities. As the proposed terms were not favourable, the proposal from Hang Seng Bank was not accepted. Subsequently, a new loan facility of H$37,500,000 was obtained from Bank of China (Hong Kong) Limited to finance the trading activities of the Group's Hong Kong trading subsidiary.

2) The short-term bank loan from China CITIC Bank, was renewed in January 2019 for one year upon its expiry in 4Q2018.

3) The short-term bank loan from Industrial and Commercial Bank of China – Longhu Jinjiang Branch, was renewed in January 2019 for one year upon its expiry in 4Q2018.

4) The mortgage loan was secured by a land parcel owned by Xiamen Fuxing Industrial Co., Ltd. Under the bank loan agreement, the loan repayments amounted to RMB27.5 million per year were made on a quarterly basis. The Company has met all its repayment obligations to-date.

As of to-date, all short-term bank loans were renewed upon expiry and there were no indications from the above banks to terminate and/or withdraw any of the banking facilities lines. The Group has established good relationships with the various banks over the years and Management is of the view that the Group has sufficient untapped banking facilities lines and funding sources available to fulfill its borrowings obligations within the next 12 months.

**5. In relation to Due to directors:**

**a. The cash flow changes indicated amount due to directors dropped by RMB39.3 million in 4Q2018 but increased by RMB45.8 million for year ended 31 December 2018. Please show the changes in the accounts and explain the material changes during the year.**

**b. Please disclose specifically what the amounts were used for and explain where is the source of the money for the repayment of RMB39.3 million to the directors.**

**Company's response:**

a. Movement of amount due to a Director during 2018:

| | RMB'000 | Notes |
|---|---|---|
| Balance as at 1.1.2018 | 10,891 | |
| Add: Payments by a Director on the Company's behalf | | <1> |
| Repayment of accrued construction costs for Xiamen HQ | 68,852 | |
| Repayment of Hang Seng Bank's banking facilities | 121,201 | <2> |
| Financial support for subsidiaries | 18,088 | <3> |
| | 219,032 | |
| Less: repayment to a Director during the year | (162,354) | <4> |
| Balance as at 31.12.2018 | 56,678 | |

***Notes:***

1) The amount was used for repayment of accrued construction costs for Xiamen Headquarters ("Xiamen HQ") which was completed in the third quarter of 2017. The accrued construction costs were repaid according to the contracts signed with different contractors.

2) In 3Q2018, the CEO and Executive Director, Mr Hong Qing Liang, repaid all the outstanding balance including short-term bank loans, bills payable and bank overdrafts on behalf of the Company upon the expiry of the banking facilities from Hang Seng Bank.
3) The amount represented the payment on behalf of subsidiaries, eg. plant and equipment purchase, working capital etc.
4) The amount represented the cash used for repayment to Mr Hong Qing Liang during the year.

The decrease in amount due to a Director by RMB39.3 million in 4Q2018 was due to Group's repayment of outstanding balances to the Director during 4Q2018.

b. The source of money for the repayment to the Director was from the Group's internal cash resources.

**6. Please provide a breakdown and description of the Property, plant and equipment purchased by the Company throughout FY2018 amounting to RMB33.1 million and state its respective carrying value.**

**Company's response:**

| Description | Purchase price | Carrying value as at 31.12.2018 | Notes |
|---|---|---|---|
| | RMB'000 | RMB'000 | |
| Electricity project | 8,850 | 8,651 | <1> |
| Building | 7,616 | 7,359 | <2> |
| Renovation | 7,312 | 7,312 | <3> |
| Land expansion | 2,400 | 2,400 | <4> |
| Building | 1,683 | 1,677 | <5> |
| Motor car | 526 | 487 | <6> |
| Waste treatment and anti-corrosion project | 518 | 483 | <7> |
| Nickel containing wastewater treatment equipment | 470 | 460 | <7> |
| Chromium containing wastewater treatment equipment | 466 | 424 | <7> |
| Motor car | 405 | 375 | <6> |
| Motor car | 405 | 386 | <6> |
| Other plant and machineries | 3,639 | 1,934 | <8> |
| Total | 34,290 | 31,948 | |
| Less: Prepayment to suppliers | (1,144) | - | |
| Additions of property, plant and equipment in FY 2018 | 33,146 | 31,948 | |

***Notes:***

1) The power grid was changed to support the increased power requirements of new plant and machineries.
2) Construction of an extension building to the existing factory for the Group's subsidiary – Fulong Zipper and Weaving Co. Ltd to cater for future expansion.
3) Renovation of Xiamen HQ for the Group's corporate office.
4) Land expansion costs for the additional usage of government land in Xiamen HQ. The total construction or built-in-area had exceeded the general conditions imposed by the local government in 2011 in respect of building construction. The amount was additional charges imposed by Xiamen local government.
5) Construction of an extension building to the existing factory for the Group's subsidiary – Jinjiang Fuxin Electroplating Co. Ltd to cater for future expansion.
6) New motor cars purchased for business operations.
7) Plant and machineries purchased to improve discharge of wastage water.
8) Replacement of some old plant and machineries in different subsidiaries of the Group.

**7. As the amount of RMB7 million is very material for a roadshow, please provide background of the roadshows conducted:**

**a. Who were the target audience of the roadshow?**

**b. What products were being promoted during the roadshow?**

**c. Where were the roadshows being held at?**

**Company's response:**

As disclosed on page 13 of the results announcement, selling and distribution expenses had increased by RMB 1.1 million (or 19%) to RMB 7.0 million as a result of increase in promotional expenses from roadshows conducted.

Breakdown of the RMB7.0 million incurred in selling and distribution expenses is as follows:

| | **RMB'000** |
|---|---|
| Sales staff salaries | 4,580 |
| Delivery and transportation expenses | 1,757 |
| Exhibition fees from roadshows | 494 |
| Travelling expenses | 129 |
| Insurance expenses | 44 |
| Office supplies | 17 |
| Advertising fees | 13 |
| Others | 13 |
| Total | 7,047 |

a. The Company targeted to expand its customers base in different provinces in the PRC and its overseas customers.
b. The Company's finished zippers were being promoted during the roadshows.
c. During the year, the Company participated in several exhibitions in Nanjing, Shanghai, Xiamen, Guangzhou, and Hong Kong to promote its products.

**8. In relation to Rental income and Management fee income amounting to RMB12.9 million and RMB3.3 million respectively which were the main contributors to the Company's net income of RMB9.6 million:**

**a. Please disclose the identity of the tenants to which the management services are provided to and duration of the contract.**

**b. Please provide details and size of the property rented and to who, how long is the contract and what was the property being used for.**

**c. Please disclose if there are any rental made to interested persons?**

**Company's response:**

a) There are no separate management services agreements signed with the respective tenants, but in each tenancy agreement, the tenants are required to pay management fees to our property management subsidiary - Xiamen Xinfuxing Property Management Co., Ltd on a monthly basis. The identity of the tenants to which the management services are provided to and the duration of the respective tenancy agreements are disclosed under b) below.

b) The details of our tenants and tenancies are as follow:

| Name of tenants | Area-square metres | Lease period-years | Usage |
|---|---|---|---|
| 厦门众创行房地产行销策划有限公司 Xiamen Zhongchuangxing Real Estate Marketing Planning Co. Ltd | 30,271 | 9 | Office |
| 厦门延同投资管理有限公司 Xiamen Yantong Investment Management Co. Ltd | 1,490 | 8 | Office |
| 德尔惠（厦门）有限公司 Delhui (Xiamen) Co. Ltd | 230 | 2 | Office |
| 厦门三立新建筑有限公司 Xiamen Sanli New Construction Co. Ltd | 252 | 5 | Office |
| 杨晓彤 Yang Xiao Tong | 36 | 5 | Retail |
| 瑞幸咖啡（北京）有限公司 Ruixing Coffee (Beijing) Co. Ltd | 30 | 4 | Food & Beverage shop |
| 厦门一思蜜电子商务有限公司 Xiamen Yisimi Electronic Commerce Co. Ltd | 43 | 5 | Retail |
| Total approximately lettable area | 32,532 | | |

c) No rental was made to any interested person.

**9. In relation to the Xiamen HQ:**

**a. Please describe the size of the building, floor area being used by the Company vs the floor area being rented out.**

**b. Please briefly disclose the profile of the anchor tenants occupying the Xiamen HQ and the average lease duration of these tenants.**

**Company's response:**

a) The Xiamen HQ building has a total of 25 floors and 4 basement car parks. 1/floor is lobby, 2/floor is the property management office, 3/floor to 23/floor are now rented out to tenants while 24/floor and 25/floor are now used by the Group's corporate office. From 3/floor to 23/floor, the floor area is approximately 1,500 square meters ("sq m") on each floor.

The Group's corporate office on 24/F. and 25/F. occupies an area of approximately 2,522 sq m, while the other floor areas of approximately 32,532 sq m are leased out. (Please refer to 8b above).

b) The anchor tenant occupying the Xiamen HQ is 厦门众创行房地产行销策划有限公司 Xiamen Zhongchuangxing Real Estate Marketing Planning Co. Lt, which provides real estate intermediary services. As disclosed under 8(b) above, the area leased out amounted to approximately 30,271 sq m (or approximately 93% of total lettable area) for 9 years.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**
Executive Chairman and Chief Executive Officer
11 March 2019