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 second quarter ("2Q2019") and half year ended 30 June 2019 ("6M2019") results announcement ("the results announcement") released to SGX-ST via SGXNet on 13 August 2019.

The following information is in response to the SGX-ST's queries dated 20 August 2019:

1. **The Company reported Revenue of RMB152.5 million for 2Q2019 and Trade and other receivables amounting to RMB261.1 million as at 30 June 2019,**
   a. **To provide breakdown of Trade receivables and Other receivables against corresponding reporting period.**
   b. **To disclose identities of trade debtors and elaborate reason for the significant Trade and other receivables of RMB261.1 million where the Company recorded Revenue of RMB152.5 million for the 2Q2019.**

Company's response:

a. Breakdown of Trade and other receivables:

	30/6/2019 RMB'000	30/6/2018 RMB'000	Change %
金天（厦门）进出口贸易有限公司 Jintian (xiamen) import and export trading co. LTD	60,119	41,894	44
信誠染織(福建)有限公司 Xincheng dyeing and weaving (fujian) co. LTD	27,208	-	100
晉江遠豐織造有限公司 Jinjiang yuanfeng weaving co. LTD	25,104	7,931	217
VAT receivables	21,090	11,264	87
石獅市利華紡織貿易有限公司 Shishi lihua textile trade co. LTD	20,841	-	100
厦门众创行房地产行销策划有限公司 Xiamen zhongchuang real estate marketing planning co., LTD	9,489	-	100

厦门永鸿佳国际贸易有限公司 Xiamen yonghongjia international trade co. LTD	8,759	7,858	11
福建永固集團有限公司 Fujian yonggu group co. LTD	7,430	31,606	(76)
泉州鸿荣轻工有限公司 Quanzhou hongrong light industry co. LTD	4,700	2,100	124
青岛洪氏福兴高新技术有限公司 Qingdao hong's fuxing high-tech co., LTD	4,558	4,809	(5)
鸿星尔克（漳州）实业有限公司 Hongxing erke (zhangzhou) industrial co. LTD	4,500	-	100
泉州恒凯箱包有限公司 Quanzhou hengkai luggage co. LTD	3,226	1,912	69
上海宝翠拉链有限公司 Shanghai baochui zipper co., LTD	2,506	2,912	(14)
东莞市昌浩五金拉链有限公司 Dongguan changhao hardware zipper co., LTD	2,320	2,197	6
厦门兴克服饰有限公司 Xiamen xingke dress co. LTD	2,008	1,212	66
泉州琛兴拉链有限公司 Quanzhou chenxing zipper co. LTD	1,940	2,540	(24)
南京荣宝箱包有限公司 Nanjing rongbao luggage co. LTD	1,862	1,186	57
雪朗卡（福建）服饰织造有限公司 Xuelangka (fujian) garment weaving co. LTD	1,813	796	128
匹克（中国）有限公司 Peak (China) co., LTD	1,674	983	70
浙江泰普森实业集团有限公司 Zhejiang taipsen industrial group co. LTD	1,240	1,808	(31)
东莞市福兴服饰辅料有限公司 Dongguan fuxing clothing accessories co., LTD	1,171	892	31
江西集友日用品有限公司 Jiangxi jiyou daily necessities co. LTD	1,071	917	17
厦门蒙发利电子有限公司 Xiamen mengfali electronics co. LTD	1,061	-	100
厦门隆诚信达工贸有限公司 Xiamen long cheng xin da industry and trade co. LTD	949	2,079	(54)
福建凯斯特体育用品有限公司 Fujian kaste sporting goods co., LTD	834	1,186	(30)

PHILIPPINE HONGFEI LOGISTICS GROUP OF COMPANIESINC	-	25,404	(100)
深圳市新宏基貿易有限公司 Shenzhen xinhongji trading co. LTD	-	45,394	(100)
廈門宏菲工貿有限公司 Xiamen hongfei industry and trade co. LTD	-	22,999	(100)
泉州恒远箱包有限公司 Quanzhou hengyuan luggage co. LTD	-	3,168	(100)
晋江市新辉服装织造有限公司 Jinjiang xinhui garment weaving co. LTD	-	1,166	(100)
Others [(1)]	43,618	52,863	(18)
Total	261,091	279,076	(6)

Note:

[(1)] Others represented the balances owing from customers that were less than RMB 1 million as at 30 June 2019 and 30 June 2018.

b. The Group's credit terms to its customers are between 90 days to 120 days. Due to the economy slowdown in the People's Republic of China ("PRC"), some of the Group's long term customers had requested for longer credit terms. The Group had obliged to its customers' request for longer credit terms in order to retain them which resulted in the Trade and other receivables balance greater than the Revenue for 2Q2019.

2. The Group reported a 14% decline in revenue for 6M2019 from RMB433.6 million to RMB371.0 million,

a. To disclose specific cause of the significant decline in sales in the Trading segment by RMB71.3 million in 6M2019 from RMB206.1 million to RMB134.8 million.

b. To disclose identities of the major customers of the Trading segment and provide reasons why they stopped trading with the Company.

c. To disclose the aging schedule of these customers' outstanding trade receivables and whether they have settled all the outstanding trade receivables owed to the Company.

Company's response:

a. The significant decline in sales in the Trading segment was mainly due to cessation of trading activities of some major customers with the Group in 2019 after the Group increased the selling price to improve the gross profit margin.

b. The major customers, Philippine, Hongfei Logistics Group of Companies Inc., 深圳市新宏基貿易有限公司 (Shenzhen xinhongji trading co. LTD), and 廈門宏菲工貿有限公司 (Xiamen hongfei

industry and trade co. LTD) had ceased trading with the Group in 2019 due to the increase in the selling price.

c. Aging analysis of Trade receivables for Trading segment:

	< 3 months RMB'000	4 to 6 months RMB'000	As at 30/6/2019 RMB'000	Notes
信誠染織(福建)有限公司 Xincheng dyeing and weaving (fujian) co. Ltd	18,360	8,847	27,207	
晉江遠豐織造有限公司 Jinjiang yuanfeng weaving co. LTD	21,359	3,745	25,104	
石獅市利華紡織貿易有限公司 Shishi lihua textile trade co. LTD	16,732	4,109	20,841	
福建永固集團有限公司 Fujian yonggu group co. LTD	5,093	2,338	7,431	
PHILIPPINE HONGFEI LOGISTICS GROUP OF COMPANIESINC	-	-	-	<1>
深圳市新宏基貿易有限公司 Shenzhen xinhongji trading co. LTD	-	-	-	<1>
廈門宏菲工貿有限公司 Xiamen hongfei industry and trade co. LTD	-	-	-	<1>
Total	61,544	19,039	80,583	

Note:

<1> There was no trading activities between the Group and these major customers in 2019, thus there was no outstanding balance as at 30 June 2019. Their outstanding balances as at 31 December 2018 had been fully settled.

3. Company reported Other income amounted to RMB11.3 million in 2H2019 and explained that it comprises of government subsidies, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ"),

a. To provide a breakdown of the Other income in comparison with previous corresponding period.

b. To disclose the names of government agencies which provided the subsidies to the Company and the name of the subsidies.

c. To disclose what are the conditions of the government subsidiaries received from the government.

d. To please elaborate on the nature of the management fee income received on the Group's Xiamen HQ.

Company's response:

a. Breakdown of Other income and other expenses:

	30/6/2019 RMB'000	30/6/2018 RMB'000	Change %
Rental and management fee income	10,889	1,289	745
Government subsidies	271	31	774
Sell of waste materials	155	198	(22)
Foreign exchange gain/(loss)	(27)	630	NM
Total	11,288	2,148	426

b. The name of government agency is Jinjiang Economy and Information Agency which provided subsidies to the Group for upgrading of its plants and machineries.

c. The subsidies will be paid to the Group when the Group purchased new plant and machineries that were on the approved list to apply for subsidies under the Economy and Information Agency.

d. The rental and management fee income consisted of (i) rental income arising from the leasing of the office building and car parks, while (ii) management fee income arising from managing the property which involved seeking out tenants to occupy the space, collecting monthly rental payment, maintaining the property, and upkeeping of the grounds.

4. The allowance for prepayments to suppliers for 6M2019 amounted to RMB0.7 million were more than 6 months and the raw materials were not yet delivered,

a. To disclose the material suppliers to whom allowance has been made for prepayments that were more than 6 months old.

b. To disclose the total amount of prepayments made to suppliers recorded in the Company's books and the corresponding allowance amounts to each of these suppliers.

c. To set out the reasons against each material suppliers as to why the allowance had to be made and why prepayments were initially made to each of these major suppliers.

d. To disclose when did the Company made these prepayments and why the Company did not require goods and services to be delivered eventually resulting in the allowance that had to be made.

Company's response:

a. Breakdown for allowance for prepayment:

	As at 30/6/2019 RMB'000
泉州市海能贸易有限公司 Quanzhou haineng trading co. LTD	451
绍兴市荣越化工有限公司 Shaoxing rongyue chemical co. LTD	235
浙江传化股份有限公司泉州分公司 Zhejiang chuanhua co., LTD. Quanzhou branch	18
浙江正裕化学工业有限公司 Zhejiang zhengyu chemical industry co. LTD	6
Total	710

b. The above listed suppliers were supplying materials like dye and paint for the Processing segment.

c. The Processing segment ordered the materials from these suppliers upon special requirements from customers. Under the contracts with suppliers, the materials will be delivered upon requests and must be paid in advance on the date of contracts signed.

d. The amount of prepayment was made in 2018. The Group will request the suppliers to deliver the materials after receiving the sales orders from customers. The materials have not been delivered yet as the sales orders have not been received from the customers. The allowance for prepayment was made under the Group's accounting policy for any amounts longer than 6 months. The Group has been trying to obtain the sales orders from customers. In the event of the non utilization of the prepayments, the Group will seek refunds from the suppliers.

5. General and administrative expenses for 2Q2019 decreased by 19% from RMB16.1 million to RMB13.0 million mainly due to the RMB1.8 million decrease in allowance for doubtful debts as a result of settlement of outstanding balance by customers.

a. To provide a breakdown of General and administrative expense against corresponding period.

b. To explain why the Company is able to recover outstanding amount of RMB1.8 million owed by customers when it could not do so previously.

c. To elaborate what steps did the Company take in recovering the amount owed.

d. To disclose if these customers are related to the Company's directors, key management and their associates.

Company's response:

a. The breakdown of general and administrative expenses for 2Q2019 and 2Q2018 is as follows:

	2Q2019 RMB'000	2Q2018 RMB'000	change %	Notes
Salaries and benefits	5,238	6,138	(15)	1
Depreciation	1,511	1,249	20	2
Professional fee	1,158	794	46	3
Amortization of land use rights	226	226	-	
Allowance for doubtful trade receivables	1,897	3,719	(49)	4
Allowance for prepayments	563	(269)	NM	5
Insurance	32	252	(87)	6
Others	2,403	3,966	(39)	7
Total	13,028	16,075	(19)	

Notes:

1) Salaries and benefits decreased due mainly to the decrease in number of staff.
2) The depreciation for 2Q2019 increased due to the replacement of plant and machineries in 2Q2019.
3) Professional fee represented the Company's mainboard listing fees, audit fee, secretarial fee, etc.
4) The allowance for doubtful trade receivables in 2Q2019 due to longer credit period requests from some customers.
5) The allowance for prepayments to suppliers amounted to RMB 0.6 million was more than 6 months and the raw materials were not yet delivered. In accordance with the Group's accounting policy, allowance was made for prepayments that were more than 6 months old.
6) In 2Q2019, the insurance expenses decreased as the Company has not received the payment advice as at 30 June 2019.
7) Others represented electricity, water, insurance, gasoline, repair and maintenance, etc. The decrease was due mainly to the tighter control of general and administration expenses.

b. The allowance for doubtful trade receivables amounted to RMB 1.9 million in 2Q2019. The allowance for doubtful trade receivables was a result of longer credit period requests from some customers due to the challenging business environment facing some of the Group's customers in the PRC. According to the Group's accounting policy, the extended credit period will be accounted for as allowance for doubtful debts on a prudent basis. As the Group's sale representatives had been more proactive in collecting the outstanding balances from the customers in 2Q2019, the allowance for doubtful trade receivables decreased by RMB1.8 million from RMB3.7 million in 2Q2018 to RMB1.9 million in 2Q2019.

c. Management is closely monitoring the collections of these customers and for cases of long outstanding

debts, the Group's sale representatives would collect the outstanding balances from them in person. So far, the Group's sale representatives have been able to collect most of the outstanding debts after on-site visits.

d. These customers are not related to the Group's directors, key management and their associates.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
22 August 2019