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 response to SGX Queries announcement released to SGX-ST via SGXNet on 13 March 2020.

The following information is in response to further queries from SGX-ST 16 March 2020:

1. **The Company recorded Government subsidy income amounting to RMB 834,000 in FY2019 which comprised of subsidies for fixed assets procurements, trade exhibitions and European environment certification obtained for the Group's products' quality.**
   a. To provide details of these schemes and the relevant websites to these information.
   b. To also disclose how are these subsidies computed.

Company's response:

a. Details of schemes are as follows:

Schemes	Details	Websites
Subsidies for fixed assets procurements	The subsidies were for purchasing new machineries.	https://www.sohu.com/a/305242693_758073
Trade exhibitions	The subsidies were for any international trade exhibitions that the Company has joined.	https://baike.baidu.com/item/%E4%B8%AD%E5%B0%8F%E4%BC%81%E4%B8%9A%E5%9B%BD%E9%99%85%E5%B8%82%E5%9C%BA%E5%BC%80%E6%8B%93%E8%B5%84%E9%87%91/10963919?fr=aladdin
European environment certification	The subsidies were for worldwide environment certification.	http://scjgj.quanzhou.gov.cn/gsdt/tzgg/202003/t20200309_2063009.htm

b. Basis of computation of subsidies:
   1) Fixed assets procurements:
      The subsidies were calculated based on 10% to 20% of the value for verified machineries.

2) Trade exhibitions:
   The subsidies were calculated based on 50% to 70% of the exhibition fee.
3) European environment certification:
   The subsidies were decided by the relevant department of the local government.

2. The Company recorded Depreciation of PPE amounting to RMB11.9 million which increased mainly due to the upgrading of the power grids in FY2019.

a. To provide more information on the scale of the upgrade project and quantify the relevant costs.

b. To disclose what is the depreciation policy for the power grids.

Company's response:

a. The total cost of upgrading of the power grids project amounted to RMB11.3 million. The project included the rescheduling of the electric cables from electric stations, change of the transformer connection and a power transformer.

b. The depreciation policy for the power grids is 10 % per year on straight-line basis.

3. The Company disclosed that Inventory amounting to RMB2.27 million was written down in FY2019 due to the lower net realisable value (NRV) of some inventory compared to the book values recorded.

a. To disclose details what are these inventories and when was the purchase made.

b. To disclose what was the basis of the Inventory's book value as well as the NRV to which they were written down to.

Company's response:

a. These inventories were finished goods manufactured by the Group, comprised of zipper sliders and zipper chains. The aging of the finished goods was approximately 6 to 12 months.

b. Inventories are stated at the lower of cost and net realisable value. Inventory's book value comprised direct materials, direct labour costs and factory overheads that have been incurred in the manufacturing process. The costs are calculated using the weighted average method. The NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In 2019, the NRV for obsolete inventory was derived based on estimated residual value of the inventory if the Group is to convert the obsolete finished product to raw material for future production, less the estimated conversion costs.

4. **The Company disclosed that VAT tax receivables amounted to RMB12.0 million for FY2019.**
   a. Please explain reason for the significant amount and what were the underlying items that were purchased.
   b. Please quantify the material items and explain why the VAT receivables is still outstanding.

Company's response:

a. The VAT tax receivable of RMB12.0 million comprised of (i) RMB4.6 million arising from current year purchases from third parties which will be settled with the tax authority in Q1 2020, and (ii) RMB7.4 million arising from prior years internal purchase of goods from related companies, which remain unsettled with the tax authority as of 31 December 2019.

b. The VAT tax receivable of RMB7.4 million arising from internal purchase of goods from related companies, that remains unsettled with the tax authority as of 31 December 2019 was because the same amount of VAT tax payable had been recorded by other related companies within the Group for internal sale of goods to related companies.

5. **The Company disclosed prepayment to suppliers ageing between 4 to 6 months amounted to RMB26.1 million.**
   a. Please explain why the Company made such huge payments in advance but had not received the goods but instead bought from other supplies as evidenced from the Cost of sales which had been booked.
   b. Please disclose the identifies of the suppliers and how long have these suppliers been supplying goods to the Company.
   c. Please disclose what are the products they have been supplying to the Company.

Company's response:

a. The Group made prepayments to suppliers to secure ready supply of raw materials at competitive prices and this has always been the industry and the Group's practice. When the Group changes the suppliers, the Group would require to make the prepayments to new suppliers. For the cost of sales which had been booked, the Group has utilised and converted from prepayment to purchases upon receipt of the raw materials. The Group will inform the suppliers to deliver the raw materials based on production schedules. For those prepayments made in advance and goods are yet to receive is due to the Group has yet to call for delivery of the raw materials as production has not commenced. The Group will request for refunds from the suppliers in the event that the Group's prepayments are not utilized and converted into purchases.

b. Our major suppliers are as follow:

No.	Name of suppliers	Years of supplies
1.	福建省金纶高纤股份有限公司 Fujian Jinlun Fiber Shareholding Company Limited	Over 10 years
2.	福建百宏聚纤科技实业有限公司 Fujian Billion Polymerization Technology Industrial Co., Ltd	Over 10 years
3.	福建龙翌君瑶商贸有限公司 Fujian Longyi Junyao Trading Co., Ltd	4 years

c. The above suppliers mainly supply raw material items of polyester, nylon, resin, and fiber, etc.

6. In FY2019, the Company received deposits from potential buyers to secure the purchase of certain properties units in Xiamen HQ. As the Company did not sign any sales agreement with these buyers and the approval from the local government in connection to the intended disposal of Xiamen HQ has yet to be obtained, the Company will refund the deposits to them in FY2020.
a. To disclose who are these potential buyers and why did they pay the Company when no sales agreements had been signed with them.
b. To disclose when did these buyers pay and what was the basis of these payments.
c. To explain why did the Company not sign the sales agreement and was the amount received in cash?

Company response:

a. There are 3 potential buyers, namely 康辉阳 (Kang Huiyang), 厦门佰朋商贸有限公司 (Xiamen BaiPeng Trading Co. Ltd) and 厦门宇鑫投资有限公司 (Xiamen YuXin Investment Co. Ltd), who are currently the end user tenants ("Tenants") in Xiamen HQ. The deposits were paid to the Company without sales agreement because the Tenants wanted to secure the office units which they are currently leasing.

b. The potential buyers 康辉阳 (Kang Huiyang) and 厦门宇鑫投资有限公司(Xiamen YuXin Investment Co. Ltd) paid the deposits in June 2019 while 厦门佰朋商贸有限公司 (Xiamen BaiPeng Trading Co. Ltd) paid the deposits in December 2019. The aforesaid deposits amounted to 20% to 30% of the market value of their targeted purchases.

c. The Company was expecting to receive the approval from the relevant local authority in connection with the intended disposal of Xiamen HQ ("Approval") and targeted to sign the sales agreement soonest possible after the deposits were paid and has insofar kept the 3 potential buyers informed and updated. However, due to the unexpected and unforeseen delay in obtaining the Approval, the Group has decided to refund the deposits to the buyers in cash by 30 June 2020.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
18 March 2020