**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 half year ended 30 June 2020 ("1H2020") results announcement released to SGX-ST via SGXNet on 14 August 2020.

The following information is in response to the SGX-ST's queries dated 28 August 2020:

1. **Please elaborate on the nature of underlying items which gave rise to the exchange differences on translating foreign operations amounting to RMB1.83 million.**

   **Company's response:**

   The foreign exchange differences arose from the depreciation of RMB against HK dollar at the rate of HK$1:RMB0.8958 as at 31 December 2019 compared to the rate of HK$1:RMB0.9134 as at 30 June 2020 in the translation of the net liabilities of the Group's subsidiaries which are located in and operated from Hong Kong.

2. **Please explain why the allowances for advances to these suppliers amounting to RMB1.05 million was written back and to disclose the identities of these suppliers.**

   **Company's response:**
   Breakdown of written back of allowances for advances as follows:

| Names of suppliers | As at 30.6.2020 | Note |
|---|---|---|
| | (In RMB'000) | |
| 1)深圳市君盛达自动化设备有限公司 | (316.8) | <1> |
| 2)温州市金龙拉链机械有限公司 | (576.9) | <1> |
| 3)厦门东宏机械有限公司 | (292.5) | <1> |
| Total amounts of allowances for advances written back | (1,186.2) | |
| Less: allowances for advances | | |
| 1)福建省泉州市东凌电梯有限公司 | 108.0 | <2> |
| 2) Others | 26.2 | <3> |
| Net amounts of allowances for advances written back | (1,052) | |

***Notes:***

1) The Group ordered machineries from the machineries suppliers in the first half ended 30 June 2019. The written back on the payment made for allowances for advances was recorded in 1H2020 as the machineries were delivered to the Group in 1H2020. The deliveries took longer than anticipated to materialize mainly due to the disruptions in productions at the suppliers' factories arising from COVID-19 pandemic.
2) The Group ordered the new elevator from the supplier in late FY2019. As at 30 June 2020, the elevator was yet to be delivered to the Group. Hence, the amount outstanding for more than 6 months was considered as allowance in accordance with the Group's accounting policy.
3) Others represented the allowances for advances payments made to purchase raw materials which were outstanding for more than 6 months as at 30 June 2020.

**3. Please disclose the identities of the suppliers which the Group secured supply agreements with and whether they are related parties of the Group. To disclose if the Group has made any impairments of the advance payments to these suppliers and whether the Group is still purchasing from them.**

**Company's response:**

Breakdown of advance payments to the suppliers as follows:

| Names of suppliers | As at 30.6.2020 (In RMB'000) | Note |
|---|---|---|
| 1)福建百宏聚纤科技实业有限公司 | 29,336 | <1> |
| 2)福建省金纶高纤股份有限公司 | 40,794 | <1> |
| 3)福建龙翌君瑶商贸有限公司 | 10,078 | <1> |
| 4)深圳市广塑进出口有限公司 | 1,293 | <1> |
| 5)玉龙翔化纤（福建）有限公司 | 1,271 | <1> |
| 6)晋江龙湖恒隆拉链织造有限公司 | 612 | <1> |
| 7)东莞市芊朵胶粘制品有限公司 | 550 | <1> |
| 8)Others | 6,092 | <2> |
| Total | 90,026 | |

***Notes:***

1) The Group has signed purchase agreements with the suppliers to secure the stable procurement of raw materials. The advance payments were paid according to the terms of purchase agreements. The suppliers are independent third parties and are not related to any of the Group's directors or shareholders. There were no impairments made for the above-mentioned allowances with the suppliers yet as the advance payments were outstanding for less than six months.
2) The advance payments to suppliers for purchases of raw materials, office supplies, furniture and fixtures with amounts less than RMB0.5 million. The suppliers are independent third parties and are not related to any of the Group's directors or shareholders.

**4. The Group's gross profit margin decreased by 1.7% mainly due to decrease in the selling prices from the Zipper segment as some of the Group's customers in the PRC were faced with challenging business environment amidst COVID-19 and requested for lower prices. Please disclose the discount given in the selling prices and whether these are permanent or temporary.**

**Company's response:**

The Group has granted 5% to 10% discounts on selling prices to its customers during 1H2020 for the purpose of maintaining the good relationships and retaining the customers amidst challenging times during COVID-19 pandemic. The discounts given on the selling prices are intended to be temporary only. The Group will raise the selling prices progressively when the business environment improves.

**FOR AND ON BEHALF OF THE BOARD**

**Hong Qing Liang**
Executive Chairman and Chief Executive Officer
1 September 2020