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 full year ended 31 December 2020 ("FY2020") results announcement released to SGX-ST via SGXNet on 26 February 2021.

The following information is in response to the SGX-ST's queries dated 5 March 2021:

1. **Please provide a breakdown of the underlying items in other income and expenses and elaborate for each material items the reason for the changes in figures.**

Company's response:

Breakdown of other (loss)/income:

	FY2020 RMB'000	FY2019 RMB'000	% change Increase/ (Decrease)	Notes
Rental and management fee income	5,434	20,030	(73)	<1>
Exchange gain/(loss), net	(10,874)	2,025	NM	<2>
Government subsidy income	590	834	(29)	<3>
Fair value loss from valuation on investment property.	(34,982)	(37,600)	(7)	<4>
Fair value loss from valuation on assets held for sale	(3,395)	-	100	<5>
Fair value loss from valuation on property, plant and equipment	(3,215)	-	100	<5>
Loss on disposal of assets held for sale	(19,441)	-	100	<6>
Others, net	484	292	66	<7>
Total net loss	(65,399)	(14,419)	354	

Notes:

1) Rental and management fee income arose from the leasing and management of the Group's Xiamen Headquarters ("Xiamen HQ"). The decrease in rental and management fee income was due to the government mandated rental waivers granted to office tenants amidst the challenging times during the COVID-19 pandemic.

2) The foreign exchange gain arose from the appreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HKD denominated balances owing from subsidiaries in the Company's book due to appreciation of RMB against HKD.
3) Government subsidy income represented subsidies for fixed assets procurement, exhibition, and successfully obtained European environmental certification for quality of products.
4) The fair value loss from valuation on investment property (RMB35.0 million) arose at the point of reclassification to assets held for sale. For a transfer from investment property carried at fair value to assets held for sale, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.
5) As at 31 December 2020, the fair value loss from valuation on assets held for sale (RMB3.4 million) and fair value loss from valuation on property, plant and equipment (RMB3.2 million) arose due to the decrease in fair value of Xiamen HQ arising from the valuation performed by an independent professional valuer in FY2020.
6) The loss on disposal of assets held for sale (RMB19.4 million) was recognised at the time of completion of the disposal and sales of all units of the Disposal Property at Xiamen HQ. Please refer to the announcements released on 4 December 2020 and 3 February 2021, pertaining to "Update on Completion of the Disposal of Xiamen HQ and Use of Proceeds".
7) Others represented income from sales of scrap materials but net off with loss on disposal of machineries.

2. The Group reported trade and other receivables amounting to RMB239.4 million as at 31 December 2020. Please disclose:

(i) a breakdown and aging of the Group's trade receivables;

(ii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;

(iii) whether they are major customer(s) and whether the Company continues to transact with these customer(s);

(iv) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and

(v) what were the actions taken to recover the trade and other receivables and the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's response:

(i) Aging for trade receivables:

	As at 31.12.2020
Aging band	RMB'000
-within 3 months	141,270
-4 to 6 months	79,685
-More than 6 months	91,926
Less: allowance for doubtful trade receivables	(95,028)
Trade receivables	217,853
Bill receivables	15,387
Other receivables	6,120
Trade and other receivables	239,360

(ii) Details of other receivables:

	As at 31.12.2020	Notes
Customers under bill receivables	RMB'000	<1>
泉州恒凯箱包有限公司	2,009	
青岛洪氏福兴高新技术有限公司	1,315	
匹克(中国）有限公司	1,095	
安徽华恒轻工有限公司	827	
泉州鸿荣轻工有限公司	800	
晋江市瑞兴拉链织造有限公司	650	
福清市明融制棉有限公司	497	
福建省永泰县东宇制衣有限公司	450	
厦门蒙发利电子有限公司	434	
福建凯斯特服装织造有限公司	400	
泉州市鼎誉体育用品有限公司	350	
泉州琛兴拉链有限公司	300	
力星（福建）工贸有限公司	200	
晋江市天宇拉链织造有限公司	200	
鸿星尔克（绵阳）实业有限公司	200	
厦门兴克服饰有限公司	200	
Others	5,460	<2>
Total bill receivables	15,387	

VAT receivables	5,496	<3>
Provisional Profits Tax – Hong Kong	604	<4>
Others	20	<5>
Total	6,120	

Notes:

1) The customers issued letters of credits through their banks to settle their balances owing to the Group but these bill receivables are not due for encashment as at 31 December 2020.
2) Others represented balances owing from customers that were less than RMB 0.2 million.
3) VAT receivables represented the valued-added tax levied on total purchases.
4) Profits tax is chargeable on the assessable profits for each year of assessment. As the assessable profits for any particular year cannot be known until after the end of the year concerned, a provisional tax charge has to be raised. When the assessable profits for the year of assessment are subsequently ascertained, an assessment will be made and the provisional profits tax paid will be utilised to offset the tax liability under the assessment.

5) Others represented the deposits paid for office rental in Hong Kong.

(iii) The customers under other receivables are not major customers for the Group and the Group continues to transact with these customers.

(iv) With reference to SFR(I) 9 Financial Instruments ("SFRS(I) 9"), the Group adopts a simplified approach for the recognition of the loss allowance for trade receivables, which are carried at amortised cost, at an amount equal to lifetime expected credit losses ("ECL") and has also used the practical expedient permitted in SFRS(I) 9 in the form of a provision matrix.

For other receivables which are carried at amortised cost, the Group recognised the loss allowance at an amount equal to 12-month ECL. In the event that the credit risk is assessed to have increased significantly since initial recognizes the loss allowance of such other receivables at an amount equal to lifetime ECL.

The assessment of the credit risk and the measurement of ECL require the use of significant judgement and estimates. Any impairment losses or gains resulting from the recognition or reversal of ECL are recognised in profit or loss as an adjustment to the loss allowance at the reporting date.

(v) Management will prepare and circulate the trade receivables aging analysis and report to the Audit Committee ("AC") at the quarterly meetings. Any significant amounts will be highlighted at the AC and Board meetings and in particular, the recoverability of the trade receivables and

sufficiency of provision of doubtful debts will be discussed. For long outstanding debts, the sales representatives will personally approach the customers at their offices for debts collection.

3. **Please disclose a breakdown of other payables/other payables & accruals amounting to RMB105.5 million as at 31 December 2020. For other payables, please disclose the identity of the counterparties, the aging and nature of these other payables.**

Company's response:

Breakdown and aging for other payables and accruals:

	Within 3 months	3 to 6 months	More than 6 months	Total	Notes
	RMB'000	RMB'000	RMB'000	RMB'000	
Advances from customers	13,285	3,485	37,820	54,590	<1>
Accrued salary and bonus	36,005	-	-	36,005	<2>
VAT payables	8,745	-	-	8,745	<3>
Professional fees	2,915	-	-	2,915	<4>
Other tax payables	1,209	-	-	1,209	<5>
Others	2,039	-	-	2,039	<6>
Total	64,198	3,485	37,820	105,503	

Notes:

1) The advances from customers represented the deposits received from customers to secure the sales orders. There is no single material balance as the number of advances received represented more than 1,000 customers as at 31 December 2020.
2) Accrued salary and bonus for FY2020.
3) VAT payables represented valued-add tax levied on total sales.
4) Professional fees represented the audit fee, secretarial fee and legal fee etc.
5) Other tax payables represented the property tax and education tax etc
6) Others represented the electricity, water and office supplies etc.

4. **Please provide the reason for the significant borrowing by the Group when the Group recorded a cash and cash equivalent of RMB160.8 million as at 31 December 2020.**

Company's response:

In FY2020, the Group repaid approximately RMB168 million of bank borrowings. The Group's cash and bank balance of RMB160.8 million as at 31 December 2020 was set aside to fund the Group's operational needs and the fulfillment of fixed assets capital commitments of approximately RMB82.5 million payable in FY2021 for the purchase of automated machineries to improve the quality of zippers. Please refer to the Company's response under question 8 for more details.

5. **Please explain why interest income amounted to only RMB1.07 million during the financial period ended 31 December 2020 when the Group has significant cash and bank balance amounting to RMB160.8 million.**

Company's response:

The interest income increased by 63% to RMB1.1 million in FY2020 from RMB0.6 million in FY2019 mainly due to the increase in bank balances from the months of May and June 2020 onwards due to deposits received from the buyers of the office units. The interest rate for bank saving account was approximately 0.3% p.a. during FY2020.

6. **The Company made additional provision for doubtful trade receivables amounted to RMB28.6 million arose from longer credit period requested by some customers. Please disclose the identities and credit history of the major customers who had requested for a longer credit period; whether these customers are still in operations or facing difficulties in their ability to repay debts owing to them; whether the Company is still trading with these customers; and to disclose the additional extension credit period being granted to these customers.**

Company's response:

Additional special provision for doubtful trade receivables as follows:

	FY2020	
Customers	RMB'000	Notes
金天（厦门）进出口贸易有限公司	22,857	<1>
石獅市利華紡織貿易有限公司	12,266	<2>
福建永固集團有限公司	889	<2>
Less: movements in general loss allowance	(7,428)	
Net additional provision for doubtful trade receivables	28,584	

Notes:

1) This major customer of the Group, is a trading company with overseas customers. The customer requested to extend credit period from a normal credit period of 150 days to 180 days due to the delivery time to foreign countries was comparatively longer in FY2020 as compared to FY2019 due to the COVID-19 pandemic. As at 31 December 2020, the outstanding balance of RMB22.9 million was overdue for more than 180 days, so the Group had prudently made the special provision for this amount. As of 28 February 2021, the customer has repaid approximately RMB15.0 million and the Group continues to transact with the customer.
2) These are customers of the Group's trading segment, which are also major customers of the Group. As at 31 December 2020, the Group had ceased business transactions with these customers as they have exceeded the prevailing credit limits set by the Group on its customers. As such, provisions were made. The CEO is closely monitoring the receivables to recover the outstanding balance

from these customers. The Group is confident that the outstanding balances can be collected by the second quarter in 2021.

7. **Please clarify if the disposal of 24th floor of the Xiamen HQ is accounted for as part of the disposed property which the company had sought shareholders' approval in 2020.**

Company's response:

As disclosed in the circular to shareholders on the proposed disposal of the Xiamen HQ dated 2 November 2020 (the "Circular") and results of Special General Meeting released to SGX-ST on 18 November 2020, the disposal of 24th floor of the Xiamen HQ was accounted for as part of the disposed property.

8. **The Company made prepayment of RMB41.92 million as at 31 December 2020 for purchase of machineries to automate the production process of zippers. Please set out further details on the purchase of machineries (i.e. consideration, counterparty) and whether any SGXNet announcements have been made in compliance with Chapter 10 of the SGX Listing Manual.**

Company's response:

Prepayment for machinery purchase as follows:

	As at 31.12.2020	
Suppliers	RMB'000	Notes
厦门东宏机械有限公司	38,000	<1>
Others	3,920	<2>
Total	41,920	

Notes:

1) Supplier: 厦门东宏机械有限公司 (Xiamen Donghong Machinery Co., Ltd)
Total purchase consideration before value added tax: RMB 117.9 million
Type of machineries: Molding Machine 成型機 and Sewing Machine 縫合機
The Group has made 30% downpayment amounting to RMB38 million to secure the purchase order for the above-mentioned machines. The machineries will be delivered progressively in FY2021. The RMB38 million downpayment was disclosed as amount utilised under the intended usage of automation plan to upgrade and replace its machineries per the SGXNet announcement dated 3 February 2021.
2) Others refers to miscellaneous machineries purchases.

As disclosed in the Company's announcement dated 6 July 2020 under "Proposed Disposal of Investment Property-Xiamen Headquarters" and under section 6.2 of the Circular on use of net proceeds, RMB110 million was allotted for automation and replacement plan to upgrade and replace its machineries. Under section 6.3 of the Circular, the Group further elaborated on the plans for the automation of the Company's manufacturing line and replacement of existing machineries for the production of its zippers and the rationales for such plans, mainly to increase production capacity, reduce labour costs and improve the quality of its zippers to enhance its competitive edge. The Company has disclosed and kept the shareholders abreast of its automation and replacement plans and has kept the shareholders updated in a timely manner on the status of the completion of the disposal of the Xiamen HQ and the usage of the resultant disposal proceeds. Please refer to the Company's SGXnet announcements made on 6 July 2020, 23 November 2020, 4 December 2020 and 3 February 2021 on the above-mentioned updates.

The machineries acquisition was in the ordinary course of business of the Group and for the Group's current core business of manufacturing of zippers. The machines acquisition also does not have significant adverse impact on the Group's gearing as they were not financed on new bank borrowings but from divestment of the Group's non-core investment property. As such, there was no material change in the risk profile of the Group.

At the Special General Meeting held on 18 November 2020, the Group obtained shareholders' approval for the proposed disposal of the Xiamen HQ and thereby the above use of net proceeds. As such, out of the RMB117.9 million payable, the Group will utilise RMB110 million from the disposal proceeds from divestment of its Xiamen HQ with the remaining RMB7.9 million to be financed out of its internal funds.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
9 March 2021