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 results announcement for the financial year ended 31 December 2021 ("FY2021") (the "Results Announcement") released to SGX-ST via SGXNet on 28 February 2022.

The following information is in response to the SGX-ST's queries dated 8 March 2022:

1) **We note the 39% year-on-year decrease in the Company's administrative expenses was mainly due to the reversal of allowance for doubtful trade receivables. Please clarify if allowance for doubtful trade receivables has historically been recorded under administrative expenses.**

   Company's response:

   The allowance for doubtful trade receivables has historically been recorded under administrative expenses. Per the Company's Annual Report for the financial year ended 31 December 2020 ("FY2020"), the allowance for doubtful trade receivables was disclosed under "Administrative Expenses" under other items of expenses. Please refer to Note 8 to the Financial Statements on page 70 of the Annual Report – under charges under loss before income tax. For FY2021, the Company has recorded the reversal of allowance for doubtful trade receivables under "Other Income" instead of as under reversal under "Administrative Expenses" as it was a significant credit of RMB36.3 million to profit before income tax.

2) **We note a 45% increase in inventories was as a Group held a 3-month raw materials production requirement for the production orders to be fulfilled in Q1 2022 compared to a 2-month raw materials production requirement held as at 31 December 2020. Please clarify why there was such a change in requirement.**

   Company's response:

   As explained in the Results Announcement, the Company held a 3-month raw materials to fulfill its production requirements as the Company anticipated an increase in production and sales in Q1 2022. Based on the significant increase in sales orders in Q4 2021, the Company anticipated the increase in sales orders to continue in Q1 2022.

3) **Please provide a breakdown of the payments of RMB 143.7m in FY2021 and RMB 49m in FY2020 for the purchases of property, plant and equipment, and identify the entities to whom these payments were made, their principal operating activities and the size of their businesses. Please also disclose the types of property, plant and equipment and capacity of these assets required.**

Company's response:

Breakdown of purchase of property, plant and equipment:

Suppliers	FY2021 RMB'000	FY2020 RMB'000	Note
厦门东宏机械有限公司	58,000	38,000	<a>
福建荣欣建设有限公司	36,342	-	<b>
晋江市日朗光伏发电有限公司	12,600	-	<c>
至弘机械（厦门）有限公司	6,697	-	<d>
晋江市溢泰织造机械有限公司	4,659	4,050	<e>
盛隆电气集团电力工程有限公司	3,980	-	<f>
晋江市南湾机械有限公司	3,852	-	<g>
泉州市展鸿自动化科技有限公司	2,340	-	<h>
嘉兴功力机械有限公司	1,668	667	<i>
无锡东庆染整设备有限公司	778	-	<j>
泉州市森泽电力设备有限公司	650	-	<k>
无锡市莹星染整机械有限公司	648	-	<l>
深圳市蓝瑟机电科技有限公司	300	900	<m>
深圳市君盛达自动化设备有限公司	-	528	<n>
Others	830	4,804	<o>
Amount prepaid in FY2020−厦门东宏机械有限公司	10,354	-	<p>
Total	143,698	48,949	

Notes:

a) Xiamen Donghong Machinery Co., Ltd is one of the leading manufacturers of automatic zipper production machinery in China. In FY2021, the Group purchased automatic molding machines and sewing machines from this supplier to increase the production capacity of the Group.

b) Fujian Rongxin Construction Co., Ltd. is a medium size construction company in Jinjiang City. In FY2021, the Group engaged this construction company to participate in the power grid enhancement project.

c) Jinjiang Rilang Photovoltaic Power Generation Co., Ltd. is a medium size company selling solar power generations, photovoltaic equipment and components company in Jinjiang City. In FY2021, the Group purchased solar power generation equipments from this supplier.

d) Zhihong Machinery (Xiamen) Co., Ltd. is a medium size zipper production machinery company in Jinjiang City. In FY2021, the Group purchased the frame and accessories for molding machines and sewing machines from this supplier.
e) Yitai Weaving Machine Making Co., Ltd. is a medium size manufacturer of weaving machinery in Jinjiang City. In FY2021, the Group purchased the ribbon loom from this supplier for replacements.
f) Shenglong Electric Group is a leading provider of power transmission and distribution equipment, systems and solutions in China. In FY2021, the Group engaged the said company to build a power distribution room for solar power generation.
g) Jinjiang Numwon Machinery Co. Ltd. is a medium size manufacturer of textile equipment company in Jinjiang City. In FY2021, the Group purchased monofilament production machineries from this supplier to replace the old machineries.
h) Quanzhou Zhanghong Automation Technology Co. Ltd. is a medium size manufacturer of automatic zipper production machinery company in Quanzhou City. In FY2021, the Group purchased automatic assembly machineries from this supplier for the new automated production line.
i) Jiaxing Gongli Machinery Co., Ltd. is a medium size manufacturer of die casting machines and various accessories in Jinjiang City. In FY2021, the Group purchased die casting machineries from this supplier to replace the old machineries.
j) Wuxi Dongqing Dyeing and Finishing Equipment Co.,Ltd. is a medium size manufacturer of dyeing and finishing machineries in China. In FY2021, the Group purchased printing and dyeing machineries from this supplier.
k) Quanzhou Senze Electric Power Equipment Co., Ltd. is a medium size manufacturer of photovoltaic equipment and components company in Quanzhou City. In FY2021, the Group purchased solar power generation equipment components from this supplier.
l) Wuxi Yingxing Dyeing and Finishing Machinery Co., Ltd. is a medium size manufacturer of dyeing and finishing machineries in China. In FY2021, the Group purchased printing and dyeing machineries from this supplier.
m) Shenzhen Lancer Electromechanical Technology Co., Ltd. is a medium size manufacturer of zipper automation equipments in Shenzhen. In FY2021, the Group purchased the ancillary machineries for the molding machine from this supplier.
n) Shenzhen Junshengda Automation Equipment Co., Ltd. is a medium size manufacturer of zipper automation equipments in Shenzhen. In FY2021, the Group purchased the ancillary machineries for the molding machineries from this supplier.
o) Others refers to miscellaneous machineries purchases with denoted amounts less than RMB0.5 million.
p) Prepayment made for purchase of automatic molding machines and sewing machines from Xiamen Donghong Machinery Co., Ltd in FY2020, which were recognised as property, plant and equipment after completion of installation and testing in FY2021.

4) **We note the disclosure that Other Income includes the reversal of allowance for doubtful trade receivables amounting to RMB 36.3m arising from settlement of long outstanding balances by customers. Please disclose the FYs when the trade receivables of RMB 36.3m were recorded, the nature of the transactions resulting in these receivables and the FYs when these debts were listed as doubtful. Please also list the identities of these customers, whether and if yes, when the Company stopped doing business with them, the reasons for the repayments and whether any outstanding debt remains unpaid. Please further provide an ageing schedule of the amounts that remain owing by these customers to-date, if any.**

Company's response:

Breakdown of reversal of allowance for doubtful trade receivables:

	FY2021 RMB'000	Notes
金天（厦门）进出口贸易有限公司	22,857	<i>
石獅市利華紡織貿易有限公司	12,226	<ii>
Others	1,243	<iii>
Total	36,326	

Notes:

i) A major customer of the Group's zipper segment which is a trading company with overseas customers. The customer requested for an extension of credit period from a normal credit period of 150 days to 180 days due to longer delivery time to foreign countries in FY2020 amid 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 a special provision for the said amount. In 2Q 2021, the customer had fully repaid the outstanding amount of RMB22.9 million and thus the Group continues to transact with the customer.

Aging analysis of the balance of the customer as at 31 December 2021:

金天（厦门）进出口贸易有限公司

	RMB'000
Within 3 months	65,636
4 to 6 months	4,889
Over 12 months	7,675
Total	78,200

ii) A major customer of the Group's trading segment. As at 31 December 2020, the outstanding balance was overdue for more than 120 days and exceeded the prevailing credit limits set by the Group. As such, provision was made in FY2020. In 1H2021, the customer had fully settled the outstanding amount and thus the Group continues to transact with the customer.

Aging analysis of the balance of the customer as at 31 December 2021:

石獅市利華紡織貿易有限公司

	RMB'000
Within 3 months	26,359
3 to 6 months	4,259
Over 12 months	-
Total	30,618

iii) Others represented the net amount of reversal of allowance for doubtful trade receivable.

5) **Please disclose the amount due to Mr Hong Qing Liang, being the amount remitted by him for the payment of professional fees and expenses by the Company, and why the Company required the remittance from him when the Company has cash on hand of RMB 168.37m. Please also disclose the identities of the professionals paid with this remittance.**

Company's response:

The Company is required to pay a withholding tax on the outward remittances to entities **outside of China** if the remittances are made from local banks in China without the requisite license on international remittances. However, outward remittances made from Hong Kong are exempted from such withholding tax. As such, the Company has arranged with Mr Hong Qing Liang that the payment of professional fees and expenses by the Company to entities **outside of China** (i.e. Singapore etc) are to be made from his personal account in Hong Kong and the Company would subsequently make periodic reimbursements to him.

During FY2021, the payment of professional fees from Mr Hong's account in Hong Kong mainly comprised of USD150,000 downpayment paid to Friedman LLP based in United States of America as the auditor for preliminary work of the Company's financial statements in connection with the Company's intended secondary listing on the Nasdaq.

6) **We note the statement that the performance for FY2021 is in line with the Company's commentary in Para 3 of its results announcement released to SGX-ST via SGXNET on 13 August 2021. Please provide specific information on how there was no deviation, referring specifically to each of the disclosures made in Para 10 of the Company's financial statements announced on 13 August 2021.**

Company's response:

The Company would like to clarify that the performance for FY2021 is in line with the Company's commentary in ***Para 4*** which is "a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months" instead of ***Para 3*** (typographical error) of its results announcement released on 13 August 2021. Please refer to Para 4 of its results announcement released on 13 August 2021, whereby it was stated as follows:

Under 1H2021 results announcement

The Group recorded improvements in sales and gross profit margin in 1H2021 compared to the same corresponding period last year. Despite the recent COVID-19 resurgence in the PRC, the Group is cautiously optimistic that the improvement in sales and gross profit margin in 1H2021 would continue in the second half of 2021. Nevertheless, for the next 12 months, the Group expects cost pressures arising from the increased production and labour cost will still continue to affect its operating outlook. As such, the Group is currently automating its manufacturing process progressively to mitigate the above mentioned cost pressures. The Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customers segment. In addition, the Group will be keeping a tight rein over its operating costs and monitoring its receivables and collections closely.

Under FY2021 results announcement

The Group recorded substantial improvements in sales and gross profit margin in FY2021 compared to FY2020. Despite the recent COVID-19 resurgence in the PRC, the Group is cautiously optimistic that the improvement in sales and gross profit margin in FY2021 would continue into FY2022. Nevertheless, for the next 12 months, the Group expects cost pressures arising from the increased production and labour costs will still prevail to affect its operating outlook. As such, the Group is currently automating its manufacturing process progressively to mitigate the above mentioned cost pressures. The Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customers segment. In addition, the Group will be keeping a tight rein over its operating costs and monitoring its receivables and collections closely.

Sales and gross profit margin

There was no deviation, as under both the 1H2021 and FY2021 results announcements, the Group recorded improvements in sales and gross profit margin. Despite the recent COVID-19 resurgence in the PRC, the Group is cautiously optimistic that the improvement in sales and gross profit margin would continue from 1H2021 and FY2021 respectively.

Factors and events

There was no deviation. For the twelve months from 1H2021 and FY2021, the Group expects the same factors and events as follows:

1) cost pressures arising from the increased production and labour costs will still prevail to affect its operating outlook;
2) the Group is automating its manufacturing process progressively to mitigate the above mentioned cost pressures;
3) the Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customers segment; and
4) the Group will be keeping a tight rein over its operating costs and monitoring its receivables and collections closely.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
10 March 2022