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 Annual Report for the financial year ended 31 December 2021 ("FY2021") (the "Annual Report") issued on 14 June 2022.

The following information is in response to the SGX-ST's queries dated 20 June 2022:

1) **We note from page 25 of the report that "the Board has received written assurance from the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems". Please specify who are the KMPs responsible for the adequacy and effectiveness of the Company's risk management and internal control systems.**

   Company's response:

   The Key Management Personnel ("KMP") on page 25 of the Annual Report referred to Mr Hong Shui Ku, the Group's Chief Operations Officers. As disclosed on page 24 of the Annual Report, the Board has designated Mr Hong to oversee the risk management of the Group including the internal control systems.

2) **As required under Rule 1207(6)(b), please confirm whether the audit committee has undertaken a review of all non-audit services provided by the auditors and opined that such non-audit services would not affect the independence of the auditors.**

   Company's response:

   As disclosed on page 27 of the Annual Report, the Business and Risk Consulting division of Mazars LLP was engaged to assist with drafting the Sustainability Report for FY2021 for S$12,000. The Audit Committee had reviewed and confirmed that the non-audit services would not affect the independence of the auditors.

3) **We note from page 27 of the report that "Mazars LLP will retire as the external auditors of the Company following the conclusion of the forthcoming AGM and has notified the Board and the AC that it will not seek re-appointment".**

Please disclose:

(i) specific reasons why the auditors will not seek re-appointment at the forthcoming AGM;

(ii) whether there were any disagreements with the auditors and if so, please provide details; and

(iii) who will be appointed as new auditor of the Company upon the resignation of Mazars LLP and why the Company is not seeking shareholders' approval for the appointment of the new auditor at its upcoming AGM. If the Company has not identified a suitable candidate, please disclose the current progress in relation to finding a new auditor, including an indicative timeline.

Company's response:

(i) Mazars LLP has notified the Audit Committee that they are not seeking re-appointment as a result of an internal resource re-optimisation exercise. Their decision was reached after careful deliberations of both internal and external factors, including but not limited to the availability and costs associated to the mobilisation of manpower resources in the countries where the Group's business operates.

(ii) There are no disagreements between the Company and the auditors.

(iii) The Company has not yet confirmed which firm will be appointed as new auditor of the Company. As such, the Company is not seeking shareholders' approval for the appointment of the new auditor at its upcoming AGM. The Audit Committee is in the process of assessing and evaluating suitable candidates and the Company targets to appoint new auditor by end of 3Q2022, subject to obtaining the necessary regulatory clearance from the exchange and shareholders' approval.

4) **Pursuant to Rule 1207(10C), the annual report must contain the Audit Committee's ("AC") comment on whether the internal audit ("IA") function is independent, effective and adequately resourced. We note that the Company has outsourced its IA function to Xiamen De Cheng Accounting Co. Ltd ("Xiamen De Cheng"). In this regard:**

(a) Please provide specific details of the size, experience, resources and track record of Xiamen De Cheng. In your response, please include:

(i) the qualifications, experience and track record of the Partner signing off the IA report;

(ii) whether he/she is a member of any professional body for internal auditors and if so, please provide the relevant details; and

(iii) the experience and track record of the professionals involved in the IA function of the Group.

(b) Please disclose whether Xiamen De Cheng has prior experience in providing IA services to listed entities in the PRC and elsewhere, as well entities of similar industry and size of operations as the Company. Please provide a list of such entities along with the engagement periods;

(c) Please disclose whether the IA standards applied by Xiamen De Cheng comply with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors; and

(d) As required under Rule 719(3), please disclose whether the AC is satisfied that the IA function is independent, effective and adequately resourced; and that Xiamen De Cheng is suitable to be appointed as IA for the Group. Please provide the basis for the AC's opinion.

Company's response:

(a) Xiamen Decheng was restructured from Jinjiang Certified Public Accountants Co., Ltd. which was established in 1990 and under Jinjiang Finance Bureau. It obtained the practicing certificate of Certified Public Accountant ('**CPA**") that was approved by Fujian Provincial Department of Finance on 20 January 2000. Currently, the firm has 29 staff, out of which 6 are CPA whereby 3 are partners, and 23 staff in the internal and external audit and finance support functions. It is engaged in the provision of accounting and internal and external audit, asset valuation, financial advisory and tax consulting services to its various customers in various industries of manufacturing, investment, real estate etc. Its internal audit department has served listed entities in the PRC, as shown under the table in (b) below. Its external audit department's current client profile includes china subsidiaries of entities listed in PRC and Hong Kong as follows:

1) 厦门禹洲集团, part of 禹洲集团控股有限公司 listed in Hong Kong, stock code 01628.HK
2) 厦门建发, part of 建发股份 listed in Shanghai, stock code: 600153.SH
3) 厦门太平货柜制造有限公司, part of Singamas Group listed in Hong Kong, stock code: 0716.HK

(I) The partner who signed the IA report, Mr Ke Jianming, is the chief auditor of Xiamen Decheng. He obtained his qualification as senior auditor in Fujian Province in 2003. Since 1991, he has been engaged in the CPA profession for 31 years, mainly engaged in auditing (including internal control audit), asset valuation, financial due diligence, financial advisory and guidance for listing exercises etc. With his wealth of more than 30 years of experience in internal

and external audit through the various audit assignments he was engaged in, he has demonstrated his professional competency in the audit field.

(II) He is not a member of any professional body for internal auditors. But as PRC registered CPA, he is qualified to sign IA reports. In addition, he has accumulated extensive internal audit working experiences from the various internal audit assignments he was engaged in over the years.

(III) The experience and track record of the professionals involved in the IA function of the Group are as follows:

1) Mr Qiu Yongsheng

PRC registered CPA. Audit manager of the audit department I of Xiamen Decheng. He has been engaged in the CPA industry for 17 years since 2005, mainly engaged in audit (including internal control audit), assets evaluation, financial due diligence, and financial advisory. With his rich experience and professional knowledge, he has demonstrated his professional competency in the audit field.

2) Ms Zeng Jinglian

PRC registered CPA. Audit manager of the audit department II of Xiamen Decheng. She has been engaged in the CPA industry for 22 years since 2000, mainly engaged in the audit (including internal control audit), assets evaluation, financial due diligence, financial advisory. With her rich experience and professional knowledge., she has demonstrated his professional competency in the audit field.

3) Ms Xu Danni

Auditor. Staff member of the audit department of Xiamen Decheng . She has been engaged in the CPA industry for 9 years since 2013, mainly engaged in auditing (including internal control audit), asset evaluation, financial due diligence, financial advisory.

4) Ms Ye Zhenzhen

Auditor. Staff member of the audit department of Xiamen Decheng. She has been engaged in the CPA industry for 11 years since 2011, mainly engaged in auditing (including internal control audit), asset evaluation, financial due diligence, financial advisory.

(b) Past internal audit track record as follows:

Period of engagement	Company's name	Company's profile
(i) Listed entities in the PRC		
From 2016 to 2021	福建省百川资源再生科技股份有限公司	Listed on the Bejing Stock Exchange, stock code:835634
From 2013 to 2017	福建省夜光达反光材料股份有限公司	Listed on the Bejing Stock Exchange, stock code:838321
ii) Not listed, entities of similar industry and size of operations as the Company		
From 2012 to 2019	福建省希源纸业有限公司	It is a large-scale paper products industrial company, specializing in the production of paper products and is one of the largest paper products manufacturing and research and development company in Fujian Province.

(c) The Company confirmed that the IA standards applied by Xiamen Decheng are in compliance with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

(d) The AC is of the view that the Internal Auditor, Xiamen Decheng is independent, has adequate resources to perform its functions and that Xiamen Decheng is suitable to be continued to be appointed as IA. This is AC's opinion after the conclusion of the AC's internal assessment of the effectiveness of the internal audit function, after taking into consideration the qualifications and experience and the skill sets of the internal audit team deployed by Xiamen Decheng, their internal audit plan and their years of internal audit engagements with the Group since 2015 whereby they are experienced with the Group's work flows and processes.

5) Pursuant to Rule 704(6), if an issuer has previously announced its preliminary full-year results, the issuer must immediately announce any material adjustments to its preliminary full-year results made subsequently by auditors.

We note that there are discrepancies of more than 5% between the following financial statements reported in the FY2021 full year results issued on 28 February 2022, and in the FY2021 Annual Report issued on 14 June 2022:

(i) Consolidated Statement of Profit or Loss and Other Comprehensive Income;
(ii) Statements of Financial Position;
(iii) Statements of Changes in Equity; and
(iv) Consolidated Statement of Cash Flows.

The Company has not made any announcement relating to the discrepancies. Please provide further details regarding such discrepancies, and explain why the Company did not disclose these as required under Rule 704(6).

Company's response:

The details and explanation of the variances between the audited financial statements and the Company's unaudited financial statements for the year ended 31 December 2021 full year results (the "**Unaudited Financial Statements FY2021**") are set out below:

(a) Adjustments to consolidated statement of profit or loss as follows:

	Note	Audited Financial Statements FY2021 RMB'000	Unaudited Financial Statements FY2021 RMB'000	Variance RMB'000	Variance %
Revenue		762,572	766,351	(3,779)	(0.49)
Cost of sales		(691,887)	(695,666)	3,779	(0.54)
Gross profit		70,685	70,685	-	-
Other items of income					
Other income	*1*	48,189	56,760	(8,571)	(15.1)
Interest income		1,226	1,226	-	-
Other items of expenses					
Marketing and distribution costs		(8,276)	(8,276)	-	-
Administrative expenses		(48,742)	(47,568)	1,174	2.47
Other expenses		(4,481)	(4,365)	116	2.66
Finance costs		(9,118)	(9,118)	-	-
Profit before tax		49,483	59,344	(9,861)	(16.6)
Income tax credit/(expense)	*1*	5,841	(1,608)	7,449	463.2
Profit for the year		55,324	57,736	(2,412)	**(4.18)**
Other comprehensive income		3,736	3,736	-	-
Total comprehensive income for the year		59,060	61,472	(2,412)	(3.92)
Profit attributable to:					
Owners of the Company		55,747	57,854	(2,107)	(3.6)
Non-controlling interests	2	(423)	(118)	(305)	(258.5)
		55,324	57,736	(2,412)	**(4.18)**

Total comprehensive income attributable to:				
Owners of the Company	59,483	61,590	(2,107)	(3.42)
Non-controlling interests	(423)	(118)	(305)	(258.5)
	59,060	61,472	(2,412)	**(3.92)**

Notes:

1) The discrepancies arise mainly due to the **reclassification** adjustment of the refund of property tax of RMB7.4 million from other income to income tax credit and it was not material adjustment.
2) The discrepancies arise mainly due to the understatement of share of minority loss in the unaudited financial statements. The RMB305,000 adjustment as % of profit and comprehensive income amounted to less than 1% and thus was not material adjustment.

The Company did not disclose the adjustments to consolidated statement of profit or loss as required under Rule 704(6) as the **net impact** of all the adjustments was RMB2.4 million, which amounted to 4.18% variance, **less than** 5% variance, was not material adjustment, as shown above.

(b) Adjustments to consolidated statement of financial position as follows:

	Note	Audited Financial *Statements* FY2021 RMB'000	Unaudited Financial *Statements* FY2021 RMB'000	Variance RMB'000	Variance *%*
Non-current assets					
Property, plant and equipment		317,772	317,772	-	-
Land use right		25,122	25,122	-	-
		342,894	342,894	-	-
Current assets					
Inventories		52,291	52,291	-	-
Trade and other receivables		250,747	254,019	(3,272)	(1.29)
Prepayments		121,951	122,137	(186)	(0.15)
Cash and short-term deposits		168,370	168,370	-	-
Assets held for sale		38,600	38,600	-	-
		631,959	635,417	(3,458)	(0.54)
Total assets		974,853	978,311	(3,458)	**(0.35)**
Equity and liabilities					
Equity attributable to owners of the Company					

Share capital		772,574	772,574	-	-
Treasury shares		(6,408)	(6,408)	-	-
Reserve fund		67,008	67,008	-	-
Capital reserve		39,573	39,573	-	-
Restructuring reserve		(117,878)	(117,878)	-	-
Foreign currency translation reserve		2,851	2,726	125	4.58
Accumulated losses		(213,962)	(211,855)	(2,107)	0.99
Total equity attributable to owners of the Company		543,758	545,740	(1,982)	(0.36)
Non-controlling interests	1	26	331	(305)	(92.1)
Total equity		543,784	546,071	(2,287)	**(0.41)**
Current liabilities					
Trade and other payables		138,983	139,183	(200)	(0.14)
Other liabilities		112,046	112,518	(472)	(0.42)
Loans and borrowings		157,497	157,497	-	-
Income tax payable		3,826	4,325	-	-
		412,352	413,523	(1,171)	(0.28)
Non-current liabilities					
Deferred tax liabilities		18,717	18,717	-	-
Total liabilities		431,069	432,240	(1,171)	**(0.27**)
Total equity and liabilities		974,853	978,311	(3,458)	**(0.35**)

Note:

1) The discrepancies arise mainly due to the understatement of share of minority loss in the unaudited financial statements. The RMB305,000 adjustment as % of total equity amounted to less than 5% and thus was not material adjustment.

The Company did not disclose the adjustments to consolidated statement of statement of financial position as required under Rule 704(6) as the net impact of all the adjustments to the total assets, total liabilities and total equity respectively amounted to less than 1% variance each, was not material adjustment, as shown above.

(c) Adjustments to consolidated statement of cash flows as follows:

	Audited Financial Statements FY2021	**Unaudited Financial Statements FY201**	**Variance**	**Variance**	**Note**
	RMB'000	RMB'000	RMB'000	%	
Net cash generated from operating activities	103,305	113,386	(10,081)	(8.89)	<1>
INVESTING ACTIVITIES					

Purchase of property, plant and equipment	(133,429)	(143,698)	(10,269)	(7.15)	<1>
Proceeds from disposal of assets held for sale	1,638	1,638	-	-	
Interest income received	1,226	1,226	-	-	
Net cash used in investing activities	(130,565)	(140,834)	10,269	7.29	<1>

Note:

1) The discrepancies arose mainly due to the reclassification adjustment of prepayment of purchase of property, plant and equipment from operating activities to investing activities and was not material adjustment.

The Company did not disclose the adjustments to consolidated statement of statement of cash flows as required under Rule 704(6) as the variance arose due to reclassification adjustment between operating and investing cashflows with **no impact** to the ending cash and cash equivalents balances.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
22 June 2022