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 period ended 30 June 2023 ("1H2023") (the "Results Announcement") released to SGX-ST via SGXNet on 14 August 2023.

The following information is in response to the SGX-ST's queries dated 24 August 2023:

1. **We note that the administrative expenses of the Group increased by RMB 9.5 million to RMB 25.1 million from the 6 months ended 30 June 2022 to the 6 months ended 30 June 2023. Please provide a breakdown of the administrative expenses for 1HFY23 against 1HFY22, and explain the nature and reason(s) for the material increase in expenses.**

Company's response:

Breakdown of the administrative expenses:

	1H2023 RMB'000	1H2022 RMB'000	%	Note
Salaries and benefits	10,635	9,037	18	<1>
Professional fee	5,229	3,138	67	<2>
Depreciation and amortisation	3,794	7,862	(52)	<3>
Allowance/(Write back) for doubtful trade receivables	1,905	(8,418)	NM	<4>
Property tax	704	1,145	(39)	<5>
Bank charges	567	448	27	
Write back for doubtful prepayment	(331)	(1,733)	(81)	<6>
Loss on disposal	-	1,393	NM	<7>
Others	2,611	2,733	(4)	<8>
Total	25,114	15,605	61	

Notes:

1) Salaries and benefits increased mainly due to the salaries increment during 1H2023.
2) Professional fee comprised mainly of audit fee, legal fee, company sectorial fee and listing compliance costs. The professional fee increased mainly due to the increase in audit fees, the professional fee incurred for valuation report of its property, plant and equipment and legal fee on the amendment of the Company's bye laws.

3) Depreciation and amortisation decreased mainly due to the allocation of depreciation of idle plant and machineries from cost of sales to administration expense in 1H2022, but these plant and machineries were used during 1H2023 and thus their depreciation expenses charged to cost of sales.
4) The net reversal of allowance for doubtful trade receivables amounted to RMB8.4 million in 1H2022 as compared to allowance for doubtful trade receivables amounted to RMB1.9 million for 1H2023 mainly due to the successful collection of long outstanding balances from customers during 1H2022.
5) Property tax decreased mainly due to the refund of overpayment in previous years.
6) Lower write back for doubtful prepayment mainly due to the higher prepayment in 1H2023.
7) The loss of disposal for plant and machineries was incurred for 1H2022 while there was no disposal of plant and machineries in 1H2023.
8) Others mainly comprised of office expenses, insurance, electricity, office rental, etc.

2. We note that prepayments had increased from RMB74.1 million as at 31 December 2022 to RMB85.5 million as at 30 June 2023. Please disclose:

(a) a breakdown of the prepayments and identify the nature of each of the prepayments;

(b) the identities of the suppliers and whether they are related parties of the Group;

(c) how long have these suppliers been supplying goods to the Company;

(d) the products they have been supplying to the Company; and

(e) whether the Group has made any impairment of the prepayments to these suppliers for this financial period and whether the Group is still purchasing from them. If applicable, please disclose the basis for the impairment.

Company's response:

a) Breakdown of the prepayments as at 30 June 2023:

Suppliers name	RMB'000	Nature	Note
福建省百凯弹性织造有限公司	36,006	Raw materials	(c2)(d1)
福建省金纶高纤股份有限公司	18,231	Raw materials	(c1) (d1)
福建龙翌君瑶商贸有限公司	11,830	Raw materials	(c1) (d1)
晋江市溢泰织造机械有限公司	2,908	Plant and equipment	(c1)(d2)
上海百为金属有限公司	2,380	Raw materials	(c1) (d1)
晋江市金顺化工贸易有限公司	1,615	Raw materials	(c1)(d3)
浙江华恒工程玻璃有限公司	1,560	Raw materials	(c3) (d1)
泉州百川恒创新材料有限公司	1,378	Raw materials	(c3) (d1)
深圳市广塑新能源有限公司	1,024	Raw materials	(c3) (d1)
晋江龙湖恒隆拉链织造有限公司	942	Raw materials	(c1) (d1)
福建天辰纺织有限公司	700	Raw materials	(c3) (d1)
河源市鸿盈塑胶制品有限公司	655	Raw materials	(c1) (d1)
Others	6,234		
Total	85,463		

Notes:

b) The suppliers are not related to any directors, key executives, substantial shareholders or their respective associates.

c) 1) More than 5 years on supplying goods to the Group.
2) More than 2 years on supplying goods to the Group.
3) New suppliers in 2023.

d) 1) The suppliers provided mainly polyester, nylon, polyformaldehyde, zinc, etc.
2) The suppliers provided the parts for plant and machineries.
3) The suppliers provided chemical raw materials for electroplating.

e) There was no impairment made of the prepayments for any of the above major suppliers during 1H2023.

3. **We note that trade and other receivables represent approximately 69.5% of the Group's revenue for the 6 months ended 30 June 2023.**
Please disclose:
(a) the aging of the Group's trade and other receivables in bands of 3 months (with the upper limit disclosed) and whether any of these exceed 1, 2 and 3years respectively. If so, please discuss the collectability of these debts.
(b) the general credit term extended to customers;
(c) the underlying transactions of the Group's other receivables and the terms of the transactions;
(d) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates; and
(e) The Board's assessment of the recoverability of the remaining trade and other receivables and basis for their views.

Company's response:

a) Aging of the trade and bills receivables:

(In RMB'000)	Within 3 months	3 to 6 months	> 6 months	>1 year	>2 years	Total
Trade receivables	173,701	34,454	15,822	3,638	49,397	277,012
Less: loss allowance	-	-	-	(3,206)	(49,397)	(52,603)
Total	**173,701**	**34,454**	**15,822**	**432**	**-**	**224,409**
Bills receivables	**3,279**	**683**	**-**	**-**	**-**	**3,962**

(a) Aging of other receivables:

	Within 3 months RMB'000	3 to 6 months RMB'000	More than 6 months RMB'000	More than 1 year RMB'000	Total RMB'000	Notes
晋江金泉环保有限公司	-	2,040	3,060	10,200	15,300	<a>
VAT receivables	7,598	-	-	7,367	14,965	<b>
Others	3,438	-	-	-	3,438	<c>
Total	**11,036**	**2,040**	**3,060**	**17,567**	**33,703**	

Notes:

a) The amount represented the down payment paid for one sewerage engineering project for the processing segment to improve the sewage water discharge process so as to comply with the stringent environmental laws. This was incurred in the ordinary course of business on normal commercial terms. Upon completion of the project, the amount will be expensed off to the profit and loss, thus the recoverability assessment is not applicable.

b) The amount represented VAT receivables on purchases for the zipper segment. This was incurred in the ordinary course of business on normal commercial terms. The amount of RMB7.4 million of VAT receivables outstanding more than 1 year will be net off against the VAT payables by 31 December 2023, thus the recoverability assessment is not applicable.

c) Others represented rental income receivables, prepayment for purchase of consumable materials (eg. packing materials) and VAT receivables for purchases of raw materials from third parties. All were incurred in the ordinary course of business on normal commercial terms.

The company expects that the recovery rate of customers with an aging of more than one year to be relatively low, so the company will provide loss allowance on the relevant accounts receivables.

The Group's credit terms to its customers are normally between 90 days to 120 days. On a case-by-case basis, credit terms may be extended taking into account the tenure of working relationships with the customers. The debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

Management will prepare and circulate the trade receivables aging analysis and report to the Audit Committee ("AC") at the AC meetings. Any significant amounts will be highlighted at the AC meetings and in particular, the recoverability of the trade receivables and sufficiency of provision of doubtful debts will be discussed. For long outstanding receivables, the sales personnel will personally visit the customers on site to recover the amounts.

4 We note that the Group stated that "there are no material related party transactions apart from those disclosed elsewhere in the financial statements". Please elaborate what the related party transactions disclosed elsewhere in the financial statements are and to quantify them.

Company's response:

As disclosed in Note 21-Loans and borrowings under page 17 of the Results Announcement, Mr Hong Qing Liang has furnished personal guarantees for certain borrowings of the Group. Apart from the personal guarantees given, there are no material related party transactions.

5 We note that the amounts due to director had increased by approximately RMB744,000, i.e. from RMB147,000 to RMB891,000 as at 30 June 2023.
(a) Please explain the purpose of obtaining the additional amount of RMB744,000 from the director and specify how such amount will be utilized by the Company;
(b) Please disclose whether and if so, why the Company is required to repay such amount to the director, noting that the Company had, on 8 July 2022, announced that Mr Hong has irrevocably and unconditionally undertaken to the Company that he shall bear all listing costs and expenses in connection with the Company's potential NASDAQ listing; and
(c) Please provide a status update on the NASDAQ application.

Company's response:

a) Movements for the amount due to director:

	RMB'000
Balance as at 1 January 2023	147
-Salaries for Mr Hong	570
-Expenses paid on behalf	174
Balance as at 30 June 2023	891

b) The amount due to Mr Hong is interest free and has no fixed terms of repayment. The expenses paid by Mr Hong are for certain subsidiaries' operations whereby they were short of petty cash and on urgent basis so Mr Hong paid on behalf first. The Group will make repayments to Mr Hong periodically.

c) The Company is still in the preparation stage of preparation of the relevant reports for submission. The legal due diligence has been substantially completed while the reporting accountant is in the process of auditing and reviewing the Group's relevant financial statements. The Company will update the shareholders if there are material developments.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
28 August 2023