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 2023 ("FY2023") (the "Results Announcement") released to SGX-ST via SGXNet on 29 February 2024.

The following information is in response to the SGX-ST's queries dated 6 March 2024:

1. **We note that marketing and distribution expenses increased 43.8% to RMB 13.5 million in FY2023 (FY2022: RMB 9.4 million) despite a 9.4% decline in revenue. Please provide a breakdown of these expenses for FY2023 in comparison to FY2022, and explain any material variances.**

Company's response:

Breakdown of the marketing and distribution expenses:

	FY2023 RMB'000	FY2022 RMB'000	%	Note
Salaries	7,864	4,543	73	<1>
Delivery charges	2,813	3,185	(12)	<2>
Entertainment	1,820	1,470	24	<3>
Exhibition expenses	877	-	100	<4>
Insurance	120	175	(31)	<5>
Others	26	27	(4)	
Total	13,520	9,400	44	

Notes:

1) Salaries increased mainly due to the expansion of the sales department by the recruitment of more sales staff in FY2023.
2) Delivery charges decreased due to the decrease in deliveries to overseas customers.
3) Entertainment expenses increased mainly due to the increase in customers visiting the factory.
4) Exhibition expenses increased mainly due to the Group's participation in several large-scale trade fairs in Beijing, Shanghai and Guangzhou.
5) Insurance expenses decreased due to the decrease in the transportation of goods to overseas customers.

2. **We note that administrative expenses increased RMB 1.49 million to RMB 47.3 million in FY2023 (FY2022: RMB 45.8 million) due to legal and professional fees arising from corporate actions. Please disclose (i) the legal and professional fees for FY2023 in comparison to FY2022; and (ii) what are the corporate actions that these additional fees relate to.**

Company's response:

Breakdown of the legal and professional fee:

	FY2023 RMB'000	FY2022 RMB'000	%	Note
Legal advisory fee	2,040	1,117	83	<1>
Financial consultancy fee	2,355	333	607	<2>
Audit fee	3,983	3,992	(0.2)	<3>
Company secretary services fee	337	323	4	
SGX listing fee	206	212	(3)	
Translation services fee	71	-	100	
Total	8,992	5,977	50	

Notes:

1) Legal advisory fee increased mainly due to the increase in legal advisory services incurred in Singapore, China, Hong Kong and United States in relation to the secondary listing on Nasdaq.
2) Financial consultancy fee increased mainly due to the preparation work for the prospectus in relation to the secondary listing on Nasdaq.
3) Audit fee comprised of the Company's statutory audit in Singapore and the audit by US CPA in relation to the secondary listing on Nasdaq.

3. **We note that the Company had obtained advances of RMB 1.4 million from directors in FY2023. Please disclose the terms of the advances and how these funds were deployed. To also explain why these advances were required when the Company had cash and cash equivalents of RMB 125.6 million as at 31 December 2022 and RMB 80.3 million as at 31 December 2023.**

Company's response:

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 were on urgent basis so Mr Hong paid on behalf of these expenses first. The Group will make repayments to Mr Hong periodically.

Movements in the amount due to director:

	RMB'000
Balance as at 1 January 2023	147
Movements in FY2023:	
1) Salaries for Mr. Hong	256
2) Salaries for CEO	833
3) Expenses paid on behalf	356
Increase for FY2023	1,445
Balance as at 31 December 2023	1,592

4 We note that advances to suppliers increased RMB 11.8 million to RMB 78.9 million in FY2023 (FY2022: RMB 67.1 million) when revenue had declined by 9.4%. Please provide a breakdown of these advances, an ageing schedule (in bands of months with specific period of the upper band disclosed) and explain for long outstanding advances, the identity of such suppliers and why these suppliers had been unable to supply the goods as required after the advances were made.

Company's response:

Breakdown for advances to suppliers:

	Within 3 months	3 to 6 months	More than 6 months	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	Note
福建省金纶高纤股份有限公司	26,000	12,256	-	38,256	
福建省百凯弹性织造有限公司	-	5,562	15,861	21,423	<1>
福建龙翌君瑶商贸有限公司	6,700	-	-	6,700	
福建百宏聚纤科技实业有限公司	4,694	-	-	4,694	
福建龙翌君铠商贸有限公司	2,074	-	-	2,074	
上海百为金属有限公司	813	-	-	813	
晋江龙湖恒隆拉链织造有限公司	101	38	543	682	<1>
厦门翔鹭化纤股份有限公司	536	-	-	536	
Other	3,214	418	90	3,722	
Total	44,132	18,274	16,494	78,900	

Note:

1) In view of the anticipated increase in the production requirements for 1st quarter of 2024, the Group secured the supply of raw materials from 福建省百凯弹性织造有限公司 and 晋江龙湖恒隆拉链织造有限公司 at competitive and favourable prices prior to the year end. The Group anticipated that the prepayments would be converted into raw materials within the next six months. As such, there are no provisions for allowance on the advances to the above 2 mentioned suppliers to be made.

5 We note from Note 21 (loans and borrowings) that independent third parties (Mr. Wu Yuan Yang and Jinjiang Yuanda Garment Weaving Co., Ltd) had provided guarantees to a loan granted to the Company. Please disclose who are these third parties and what are their relationships to the Company that they are willing to provide personal / corporate guarantee for the Company's debts.

Company's response:

Mr Wu and Jinjiang Yuanda Garment Weaving CO., Ltd are independent third parties who have no business dealings with the Company or with the substantial shareholders or directors of the Company. Mr Wu is the legal representative of Jinjiang Yuanda Garment Weaving CO., Ltd.

Mr Wu and his company are willing to provide personal/corporate guarantee for the Company's debts on goodwill basis, arising from Mr Wu's strong friendship with Mr Hong Qing Liang, the Company's Executive Chairman, over the years. The respective bank loan 3 under note 21 was fully repaid as at 31 December 2023.

6 Please provide an update on the Company's application for NASDAQ listing.

Company's response:

The Company is in preparation work stage for the official prospectus submission and lodgement to the relevant authorities in US in relation to the application for NASDAQ listing. The Company will update the shareholders if there are material developments.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
8 March 2024