

## **FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Company Registration No.:38973)

### **RESPONSES TO QUERIES FROM SGX-ST**

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The Board of Directors of Fuxing China Group Limited (“the Company” or together with its subsidiaries, the “Group”) refers to the Group’s Third Quarter Results and Nine Months Ended 30 September 2018 results (“Results”) announcement released to SGX-ST via SGXNet on 13 November 2018.

The following information is in response to the SGX-ST’s queries dated 21 November 2018:

- 1. Please explain the nature and underlying items which resulted in the large variance of foreign exchange gain of RMB5.1 million for 3 months ended 30 September 2018 against the loss of RMB3.6 for 3 months ended 30 September 2017.**

#### **Company’s response:**

The foreign exchange gain for 3Q2018 and foreign exchange loss for 3Q2017 were mainly unrealized and non-trade in nature and arose from translation of foreign currencies denominated accounts.

The foreign exchange gain for 3Q2018 was mainly due to the following :

- (a) depreciation of RMB against USD and SGD in the Group’s foreign currencies denominated bank balances; and
- (b) translation of HK dollar denominated balances owing from subsidiaries in the Company’s book due to the depreciation of RMB against HK dollar.

The foreign exchange loss for 3Q2017 was mainly due to the following:

- (a) appreciation of RMB against USD and SGD in the Group’s foreign currencies denominated bank balances; and
- (b) translation of HK dollar denominated balances owing from subsidiaries in the Company’s book due to the appreciation of RMB against HK dollar.

- 2. To provide a breakdown of Trade receivables amounting to RMB275.8 million and provide its aging schedule in bands of 3 months with upper limit specified.**

**Company's response:**

The breakdown and aging analysis for trade and other receivables are as follows:

	<b>1-3 months</b>	<b>4-6 months</b>	<b>&gt;6 months</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables <sup>(1)</sup>	196,156	42,267	2,820	241,243
Bills receivables <sup>(2)</sup>	17,757	-	-	17,757
Other receivables <sup>(3)</sup>	-	-	16,761	16,761
Total	213,913	42,267	19,581	275,761
As % of total	77.57%	15.33%	7.10%	100.00%

**Notes:**

- 1) Trade receivables arose from the sale of zippers, raw materials and processing services provided.
- 2) Bill receivables referred to customers' settlement by letters of credit.
- 3) Other receivables referred to the value added tax receivables, and rental receivables, deposits for electricity, water and gas, etc.

3. It was mentioned that the decrease in revenue for 3Q2018 vs 3Q2017 from the Zipper segment was attributable to a deteriorating market for the zipper industry. Please reconcile this with the commentary for 9M2018 vs 9M2017 where there was increase in revenue in both Zipper and Processing segments.

**Company's response:**

Revenue for the Zipper and Processing segments:

	<b>9M2018</b>	<b>9M2017</b>	<b>Change</b>
<b>Revenue</b>	<b>RMB '000</b>	<b>RMB '000</b>	<b>%</b>
<b><i>Zipper segment:</i></b>			
1Q2018/2017	86,697	86,363	0.4
2Q2018/2017	107,435	101,349	6.0
3Q2018/2017	91,940	97,897	(6.1)
<b>Total for the period</b>	<b>286,072</b>	<b>285,609</b>	<b>0.2</b>
<b><i>Processing segment:</i></b>			
1Q2018/2017	20,197	14,039	43.9
2Q2018/2017	21,719	16,709	30.0
3Q2018/2017	20,036	17,405	15.1
<b>Total for the period</b>	<b>61,952</b>	<b>48,153</b>	<b>28.7</b>

For the first 2 quarters of 2018, the increase in revenue of the Zipper segment when compared to the previous corresponding period was due to the increase in sales volume arising from the stable quality of zippers achieved following the partial automation of the production process. However, in the 3<sup>rd</sup> quarter of 2018, revenue decreased due to reduction of orders by certain export-oriented customers due to the general slowdown in the global economy. Hence, the revenue for 9M2018 under the Zipper segment increased marginally by 0.2% to RMB286 million.

The increase in revenue in the Processing segment was mainly due to the increase in sales volume arising from a stable quality of zippers achieved following the partial automation of the production process. Hence, the revenue for 9M2018 increased by 28.7% to RMB61.9 million.

**4. Please disclose if the increase in amount due to director was loaned from Hong Qing Liang and provide the use of proceeds for the loan.**

**Company's response:**

The increase in amount due to a director was due to interest free advances from the Company's Executive Chairman and Chief Executive Officer, Mr Hong Qing Liang, for the repayment of short-term bank loans and bank overdrafts on behalf of the Company's wholly owned subsidiary namely, Fookhing Group Trading Co. Ltd. ("FHGT"). As explained on page 5 under the note to the Group's borrowings in the Results announcement, the banking facilities from Heng Sang Bank had lapsed in 3Q2018. The short-term bank loan and bank overdraft of FHGT were settled by Mr Hong Qing Liang on behalf of FHGT first while new banking facilities from other banks were being negotiated. The Group has subsequently obtained HK\$37.5 million of new banking facilities from Bank of China (Hong Kong) Limited in financing the trading activities of FHGT and the appropriate announcement has been made via SGXNet on 13 November 2018.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**

Executive Chairman and Chief Executive Officer

23 November 2018