

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 half year ended 30 June 2024 (“1H2024”) (the “Results Announcement”) released to SGX-ST via SGXNet on 13 August 2024.

The following information is in response to the SGX-ST’s queries dated 19 August 2024:

1. It is disclosed in the unaudited financial results that the Company reported trade receivables amounting to RMB 233.68 million which represented approximately 69% of the Group’s revenue of RMB 339.02 million for the 6 months ended 30 June 2024. In view of the significant amount still outstanding, please disclose:
 - (i) the credit terms of its sales and the reason for the significant amount outstanding, noting that the Company has to prepay its suppliers 2 months in advance for its order and yet it is unable to collect a significant amount of its revenue. To provide the ageing profile of the Group’s trade receivables in bands of 3 months (with the upper limit disclosed);
 - (ii) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates. If yes, to provide details and quantify;
 - (iii) whether these customers are still in operation; and
 - (iv) the Board’s assessment on the recoverability of the Group’s trade and the basis for such an assessment.

Company’s response:

- (i) Breakdown of the trade receivables (after loss allowance) as follows:

As at 31.6.2024	RMB'000	
Trade receivables	233,679	
Less: loss allowance	(43,626)	
Net	<u>190,053</u>	
<i><u>By business segment</u></i>	RMB'000	As %
Zipper	109,826	57.8
Trading	73,362	38.6
Processing	5,951	3.1
Others-rental income	914	0.5
Total	<u>190,053</u>	<u>100.0</u>

Aging profile

	1-3 months	4 -6 months	7 -12 months	>1 year	Total
Name of customer	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1) 金天（厦门）进出口贸易有限公司	43,434	-	-	-	43,434
2) 石狮市利华纺织贸易有限公司	21,850	11,533	-	-	33,383
3) 信诚染织（福建）有限公司	13,976	10,547	-	-	24,524
4) 晋江远丰织造有限公司	10,679	9,036	-	-	19,715
5) 厦门永鸿佳国际贸易有限公司	4,153	2,234	-	-	6,387
6) 鸿星尔克（绵阳）实业有限公司	1,878	750	2,619	-	5,247
7) 泉州琛兴拉链有限公司	1,925	976	164	-	3,065
8) 东莞市昌浩五金拉链有限公司	2,259	553	-	-	2,811
9) 青岛洪氏福兴高新技术有限公司	700	400	100	1,557	2,757
10) 刘海浪	-	2,580	-	-	2,580
11) 南京荣宝箱包有限公司	1,775	701	-	-	2,476
12) 新疆鸿荣轻工有限公司	1,256	463	-	-	1,719
13) 上海宝翠拉链有限公司	340	115	499	682	1,636
14) 厦门时荣服饰有限公司	380	170	650	392	1,592
15) 江苏爱可乐旅游用品有限公司	1,243	-	-	-	1,243
16) 法良时装（黄冈）有限公司	1,196	-	-	-	1,196
17) Others	33,139	264	1,930	955	36,288
Total	140,182	40,323	5,962	3,586	190,053
As % of total	73.8%	21.2%	3.1%	1.9%	100.0%

The Group's credit terms to its customers range between 90 days to 120 days. On a case-by-case basis, credit terms may be extended to customers that require longer repayment period, taking into account the tenure of working relationships and the past business dealings with the customers.

As per the commercial practice for the Zipper industry, in order to secure stable supply of raw materials for its production, the Group would need to make prepayments to the suppliers first so that the suppliers can plan their production schedules.

As shown in the breakdown of the trade receivables above, 57.8% (RMB109.8 million) of the trade receivables related to the Zipper segment whereby 90 to 120 days credit terms are granted while 38.6% (RMB73.4 million) related to the Trading segment whereby 120 days credit terms are granted. As shown in the aging profile above, 73.8% of the trade receivables was within the 3 months' period and 21.2% of the trade receivables was within the 4 to 6 months' period. As per the Group's practice for years, the sales department will monitor the receivables and collections closely to minimize bad debts. For long outstanding receivables, the sales personnel will personally visit the customers on site to recover the amounts.

(ii) The debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

- (iii) All of the above customers are still in operation and trading with our Group.
- (iv) 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. In the AC meeting held on 12 August 2024 for the approval of the Results Announcement whereby the trade receivables aging analysis as at 30 June 2024 was tabled for deliberation and discussion, no significant variances and findings were noted.

As shown in the aging profile above, 73.8% of the trade receivables was within the 3 months’ period and 21.2% of the trade receivables was within the 4 to 6 months’ period, as such 95% of the trade receivables was within the 6 months’ period. The Management is fairly optimistic of the collections of the trade receivables outstanding within the 6 months’ period. Based on the above considerations, the Board is of the view that nothing has come to the Board’s attention insofar to cast doubts on the recoverability of the Group’s trade receivables and the loss allowance provided was in order and compiled with the Group’s accounting policy.

- 2. **The Company disclosed an update on 4 April 2024 that it has filed a registration statement with the U.S. Securities and Exchange Commission in respect of the proposed secondary listing on the Nasdaq Stock Market (“NASDAQ”). Please provide an update on the Company’s application for NASDAQ listing.**

Company’s response:

The Company is currently in the midst of updating its registration statement and will be filing the same with the U.S. Securities and Exchange Commission shortly. The Company will make a further announcement on SGXNet to inform shareholders of the material updates once such filing has been done.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang

Executive Chairman

21 August 2024