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 Third Quarter and Nine months ended 30 September 2017 results announcement released to SGX-ST via SGXNet on 14 November 2017. The following information is in response to the SGX-ST's queries dated 23 November 2017:

1. **In relation to "Trade and other receivables":**
   a) **Please provide breakdown of Trade and other receivables.**
   b) **Please provide aging analysis of the Trade and other receivables in 3 month block.**
   c) **Please explain why did the Company have such a significant amount of receivables.**
   d) **Please provide details of any efforts that the Board has taken to ensure recovery of the receivables.**

Company response:

1a) & 1b) The breakdown and aging analysis for "Trade and other receivables" are as follows:

	1-3 months	4-6 months	>6 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (1)	176,133	64,100	14,495	254,728
Bills receivables (2)	1,842	-	-	1,842
Other receivables (3)	823	218	4,134	5,175
Total	178,798	64,318	18,629	261,745

Notes:

1) Trade receivables arose from the sale of zippers, raw materials and processing services by the Group.

2) Bill receivables represented customers' settlement by way of letters of credit.

3) Other receivables represented the value added tax receivables, and rental receivables etc.

1c) The Group's credit terms to its customers are between 90 days to 120 days. Due to the economy slowdown in the People's Republic of China ("PRC"), some of the Group's long term customers had requested for longer credit terms. The Group had obliged to its customers' request for longer credit terms in order to retain the customers. Management is confident in collecting back the overdue debts.

It is the Group's accounting policy to make provision for those trade and other receivables aged over 180 days and if their outstanding amounts exceed their respective credit limits.

From the above table, the amount which was due more than 180 days (RMB14.5 million) was not provided for as these amounts were owed by the Group's regular customers who continued to make their payments.

1d) Management will normally prepare and circulate the trade receivables aging analysis and report to the Audit Committee ("AC") at the quarterly meetings. Any significant amounts will be highlighted at the AC and Board meetings and in particular, the recoverability of the trade receivables and sufficiency of provision of doubtful debts will be discussed.

2. In relation to "Prepayments":

a) Please disclose the identity of the suppliers which prepayments are made to, and their respective prepayment percentage charged to the Company.

b) Please provide breakdown and aging analysis of the Prepayments in 3 month block.

c) Please explain the reason for the increase in prepayment required by the "certain suppliers" for the quarter.

d) Please discuss why the Company did not also collect prepayment of 30% of orders placed for its customer if this is in line with industry practice.

Company response:

2a) The breakdown of "Prepayments to Suppliers" is as follows:

	Balance at 30/09/2017 RMB'000	Notes
Prepayments for purchases of raw materials		
福建百宏聚纤科技实业有限公司	30,317	<1>
Fujian Billion High-Tech Material Industrial Co. Ltd.		
福建省金纶高纤股份有限公司	26,642	<1>
Fujian Jinlun Fuber Shareholding Co. Ltd.		
上海安泰科物贸发展有限公司	8,843	<1>
Shanghai Antaike Materials & Trading Co. Ltd		
Others	14,062	<1>
Sub-total	79.864	
Prepaid expenses	5,185	<2>
Total	85,049	

Notes:

1) The Group made prepayments to these suppliers to secure ready supply of raw materials at competitive prices and this had always been the Group's practice.

   For major suppliers, the Group will make full prepayments to these suppliers after the purchase agreements have been signed. According to the purchase agreements, the prepayments can be refunded (without interest) in the event of no delivery of goods by the agreed date.

   For other smaller suppliers, the Group will normally make prepayments of about 30% of the respective contract value and the Group has 30 days credit period to settle the remaining 70% of the contract value.

2) Prepaid expenses mainly represented the prepayments of advertising expenses (including road show fee, advertising lightbox, billboard, etc.), and information technology expenses (eg. system and server maintenance expenses, research of new products, etc.).

2b) The aging analysis of the "Prepayments to Suppliers" is as follow:

Aging	**RMB'000**	**Notes**
Within 3 months	51,300	<1>
4 to 6 months	4,710	<1>
6 to 12 months	24,606	<1>
More than 12 months	4,433	<2>
Total	85,049	

Notes:

1) The balance represented the prepayment to suppliers for purchases of raw materials and prepaid expenses.
2) The balance represented the prepayment for construction cost for Xiamen Headquarters ("HQ Project"), prepaid expenses, and purchases of raw materials.

2c) To meet the production requirements, the Group had increased its purchases of raw materials during 3Q2017. The increase in prepayment to suppliers was in line with the increase in purchases.

2d) The Group will normally request either a 50% advance payment or full payment from new customers when they place orders with the Group For long term customers, in order to maintain a good relationship, the Group will not request for advance payment. However, if their outstanding balance exceeds the credit limit and credit terms, the Group will request advance payment.

3. In relation to "Current liabilities":

a) Please provide a breakdown of Other payables & accruals and provide a description of each component.

b) Please explain what is the purpose of HQ Project and quantify the benefits it brings to the Company.

c) Please elaborate on the Company's internal control processes to ensure construction work is carried out for the HQ Project and the approval process for the funds to be paid into and out of Mr Hong Qing Liang's personal bank account.

d) It is reported by the Company that the construction of the HQ Project had been completed. Please explain why is there a need for Mr Hong to continue remit funds to cover the costs.

e) Please provide a breakdown of the cost incurred in relation to the HQ Project.

f) Please explain and quantify what other source of financing arrangement was obtained besides the loan from Mr Hong in relation to the HQ Project.

Company response:

3a) Breakdown of "Other payables & accruals" is as follows:

	As at 30/9/2017 RMB'000	Notes
Provision for minimum tax contribution	95,000	<1>
Accrued construction costs of Xiamen Headquarter	42,214	<2>
Accrued salaries and bonuses	36,354	<3>
Advances from customers	52,679	<4>
Others	24,460	<5>
Total	250,707	

Notes:

1. Provision for minimum tax contribution expenses was provided for operating of business in Xiamen Island.
2. Accrued construction costs for contractors were entitled to be paid under the signed contracts for construction of Xiamen Headquarter.
3. Accrued salaries and bonuses represented provision for social security contributions.
4. Advance payments received from customers were for placement of orders of goods.
5. Others included VAT tax payables, electricity, water, purchases of consumable goods, legal and professional fee, etc.

3b) As provided in the Company's circular to shareholders dated 28 October 2011 ("the Circular"), an extract of the rationale and benefits for the HQ project on page 14 of the Circular is provided below:

(i) Many well-known local brands of the sportswear industry in the PRC have offices located within the commercial and business district of Guanyinshan International Business and Commercial Centre in Xiamen where the Target Land Parcel is located. These brands include some of the Group's customers such as Septwolves Sports, Anta Sports, Qi Pai, Deerway Sports, Xtep Sports. As such, the establishment of the Group's headquarters in that area would raise and enhance the standing of the Company in the eyes of its customers and suppliers;

(ii) With the increase in commercial property prices in the PRC in the recent years, the Directors believe that the proposed acquisition of the Target Land Parcel at the current juncture can negate and hedge against any future increment in such prices; and

(iii) As a listed entity, an operational headquarter in Xiamen City is a strategic move for the Group. It will facilitate business relationship with overseas and local customers, as well as interactions with its diverse shareholder base from Singapore and the region. It will raise the Group's brand and profile as Xiamen City is a well-known commercial city in the PRC.

Listed above are the intangible benefits of the HQ project which Management believe will benefit the Group. In addition, the rental income in which the Group will generate from renting out the excess space of the HQ Project it requires will diversify the revenue stream of the Group.

3c) The Group has engaged a project consultancy company to monitor closely the construction work for its HQ Project. All payments will be based on a monthly report from the project consultancy company.

The Group also has in place its authorization matrix in governing its payment process. All payments need to be approved by at least 1 Executive Director. Amounts exceeding RMB 15 million will require approval from at least 2 Executive Directors as well as the AC and Board.

3d) As explained in item 10 of the Results announcement of 3Q2017 released via SGXNet on 14 November 2017, the construction work of the HQ project has been completed and the construction costs were accrued as at 31 December 2016. The remittance of funds from the CEO was for settlement of the accrued construction costs.

3e) The breakdown of costs incurred on the construction of the HQ Project as at 30/9/2017 is as follows:

	As at 30/9/2017 RMB'000	Note
Land use right	160,700	
Main construction cost	99,018	
Design fee	30,440	
Decoration for public areas	29,750	
Glass curtain walls	27,540	
Bank loan interest	22,750	
Air-conditioning cost	21,987	
Air-conditioning installation cost	8,016	
Garden Decoration	6,020	
Elevator	5,465	
Foundation Engineering	5,215	
Others	39,163	<1>
Total cost incurred	456,064	

Note:

1) Others represented items below RMB5 million such as lightings, stone floor, utilities, etc.

3f) The HQ Project was financed by a bank loan amounting to RMB110 million and internal funds from the Group.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
27 November 2017