

## **FUXING CHINA GROUP LIMITED**

(Incorporated in Bermuda)

(Company Registration No.:38973)

### **RESPONSE 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 Second quarter and Half year ended 30 June 2016 results announcement released to SGX-ST via SGXNet on 11 August 2016.

The following information is in response to the SGX-ST’s queries dated 16 August 2016:

**1. In the “Quarterly Financial Statement Announcement for the Second Quarter and Half Year Ended 30 June 2016” (the “Announcement”) announced by the Company, the Company disclosed that “The increase in revenue from the Trading segment was due to an increase in the sales orders from customers during 2Q2016”.**

**Please disclose significant factors that affected the 83% increase in demand from customers in the Trading segment and why, even though they serve the same sector, the Zipper segment faced decreasing orders from clients.**

#### **Company’s response:**

The customer base in the Group’s Trading segment is not the same as the Group’s Zipper segment. The customers in the Group’s Trading segment are mainly trading companies in the textile knitting industry in Hong Kong while the customers in the Group’s Zipper segment are mainly PRC manufacturers dealing in apparel and footwear products, camping equipment, bags, upholstery furnishings, and other zipper manufacturers as well as trading export companies..

During 2Q2016, the increase in revenue from the Trading segment was mainly attributable to increase in sale orders from its existing customers and sale orders from a new customer in its Trading segment. As disclosed on page 12 of the Announcement, the decrease in revenue of the Group’s Zipper segment was attributed to a deteriorating market for zipper industry in the PRC which was adversely affected by the general slowdown in the economy.

2. In the Announcement, the Company announced that “trade and other receivables decreased by RMB 24.2 million (or 9%) to RMB 256.2 million was in line with the decrease in revenue from the Zipper segment”.

What are the credit terms for the Trading segment customers and is this in line with the payment terms the Company has to make to its suppliers for the Trading business? If not, please explain how the Company manages this credit risk of its Trading customers, in view of the significant trade and other receivables amount of RMB 256.2 million which exceeds its 2Q2016 revenue amount of RMB 190.2 million.

**Company’s response:**

The credit period for the Group’s Trading segment customers is 120 days. The Company uses bills payable to settle the amounts due to its trade suppliers and the credit period for the bills payable is also 120 days. As at 30 June 2016, the trade receivables for the Group’s Trading segment amounted to RMB 133.4 million. Insofar, the receivable amounts from the customers in the Trading segment were collected within the stipulated credit period and there were no bad debts provision made as of to date.

The Group is mindful of the credit risk exposure of the Trading segment. The Group therefore trades only with creditworthy customers. It is the Group’s policy that all customers who request to trade on credit terms are subject to the Group’s credit verification procedures. In addition, receivable balances are monitored closely on a regular and on- going basis.

**BY ORDER OF THE BOARD**

**Hong Qing Liang**

Executive Chairman and Chief Executive Officer

18 August 2016