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UPDATE ON THE PROPOSED DISPOSAL OF INVESTMENT PROPERTIES IN HONG KONG

The board of directors (the "Board") of Fuxing China Group Limited (the "Company") refers to the announcements released by the Company on 30 March 2012, 2 July 2012 and 15 September 2012. The Board wishes to provide the following update on the proposed disposal of the Company's Investment Properties in Hong Kong.

All capitalized terms used in this announcement, unless otherwise defined herein, shall have the same meanings as ascribed thereto in the aforesaid earlier announcements.

Pursuant to the Provisional Agreements for the Sale and Purchase ("SPA") relating to the Investment Properties between Fook Hing Group Trading Co., Ltd. ("Fook Hing"), a wholly-owned subsidiary of the Company and the Purchasers, the Proposed Disposal of the Investment Properties was slated to be completed on or before 7 September 2012.

As disclosed in the Company's announcement on 15 September 2012, notwithstanding parties' prior efforts and attempts to procure legal completion in accordance with the SPA, the said completion of the Proposed Disposal has not occurred then, pending the resolution of the outstanding matters in connection with the legal requisitions or inquiries made by the Purchasers in respect of the Investment Properties.

The Board wishes to inform Shareholders as follows:

(a) Fook Hing and each of the Purchasers have executed a cancellation agreement ("Cancellation Agreement") pursuant to which the parties agree *amongst others* that the Provisional S&P Agreement in respect of the sale and purchase of each of the relevant Investment Property be cancelled and of no further effect whatsoever. Accordingly the Proposed Disposal will not be completed;

(b) As part of the Cancellation Agreements, Fook Hing has refunded to the Purchasers all the deposits paid by the Purchasers. In addition, an amount of HK$1,000,000 was paid by Fook Hing to each of the Purchasers (amounting to HK$4,000,000 in aggregate) as mutually agreed compensation for the Purchasers.

(c) Neither Fook Hing or any of the Purchasers shall have any claims against each other arising from the Provisional S&P Agreement.

Reasons for the non-completion / Possible courses of action to protect shareholders' interests

(a) As disclosed earlier, there were outstanding matters in connection with the legal requisitions or inquiries made by the Purchasers in respect of the Investment Properties. These matters could not be resolved to the mutual satisfaction and agreement of both parties and their respective Hong Kong legal counsels, despite the various efforts and attempts made.

(b) The Company had contemplated the option (as an alternative to cancellation) of enforcing the Provisional S&P Agreement against the Purchasers in a court of law. However, the Company decided not to pursue that option but instead chose to enter into a settlement with the Purchasers by signing the Cancellation Agreement for the following reasons:

(i) Notwithstanding the legal grounds for enforcing the Provisional S&P Agreement against the Purchasers, the outcome of legal proceedings is uncertain. Invariably, resources (including financial resources) will have to be spent and allocated to pursue the claim, which may also be long-drawn. Attending to such legal proceedings may also be disruptive to the operational activities of the executive management of the Company.

(ii) Pursuant to negotiations between the parties and their respective Hong Kong legal counsels, the parties agreed upon, and Purchasers are willing to accept, a reduced compensation amount of HK$1,000,000 each (compared to a potentially higher amount contemplated under the Provisional S&P Agreement). In this regard, please also refer to paragraph (c) below in respect of Mr Hong Qing Liang bearing this amount.

(iii) The Company has noted that the Hong Kong commercial property market is currently buoyant. Prices have generally risen since the time of signing the Provisional S&P Agreement. Involvement in a legal proceeding with the Purchasers may prevent the Company from readily placing the Investment Properties onto the market for sale.

(c) The plan to divest Investment Properties was initiated and proposed by the Group's Executive Chairman and CEO, Mr Hong Qing Liang. In addition, the Group has reported a loss for the half year ended 30 June 2012. For these reasons, Mr Hong has informed the Board that he intends to and will assume responsibility for the full compensation amount of HK$4,000,000. The Company will therefore not have to bear the compensation amount.

The Board is considering and assessing its options available with regard to the Investment Properties. The Board will keep Shareholders updated as to its plans for the Investment Properties in due course.

Financial impact

(a) As at the date of this announcement, the total expenses which have been incurred and estimated to be incurred for the Proposed Disposal are set out below:

Item	Amount
Legal fees and other expenses*	RMB700,000
Total:	RMB700,000

Note:
**Other expenses include printing costs for the SGM circulars and expenses incurred for the conduct of the SGM held on 2 July 2012 for the Proposed Disposal.*

(b) The pro forma financial effects of the non-completion of the Proposed Disposal on the Company's consolidated net tangible assets ("**NTA**"), consolidated Earnings Per Share ("**EPS**") and gearing ratio are set out below, and have been prepared on the basis that the Proposed Disposal had taken place:

(i) for the purpose of the balance sheet, as at 31 December 2011, being the date to which the latest full year audited financial statements of the Company were made up; and

(ii) for the purpose of the profit and loss account, from 1 January 2011 being the start of the latest audited financial year.

The pro forma financial effects of the non-completion of the Proposed Disposal on the consolidated NTA and consolidated EPS of the Company are purely for illustrative purposes only. The financial effects stated below are neither indicative of the actual financial effects of the non-completion of the Proposed Disposal on the consolidated NTA and consolidated EPS of the Company, nor are they indicative of the financial performance of the Company for the financial year ending 31 December 2011 ("**FY2011**").

(1) Share Capital

As at the date of this announcement, the issued share capital of the Company is RMB176.2 million comprising 860,272,000 Shares. The non-completion of the Proposed Disposal will have no impact on the issued and paid-up share capital of the Company.

(2) EPS

The pro forma financial effects of the non-completion of the Proposed Disposal on the earnings per share of the Company for FY2011, assuming that the non-completion of the Proposed Disposal had been effected as at 31 December 2011 are as follows:-

	Before the non-completion of Proposed Disposal	After non-completion of the Proposed Disposal
Net profit after tax (RMB '000)	4,120	3,420
Weighted average number of shares ('000)	860,272	860,272
Earnings per Share (RMB cents)	0.5	0.4

(3) NTA

The pro forma financial effects of the non-completion of the Proposed Disposal on the NTA of the Company as at 31 December 2011, assuming that the non-completion of the Proposed Disposal had been effected as at 31 December 2011 are as follows:-

	Before adjusting for the Proposed Disposal	After adjusting for the Proposed Disposal
NTA (RMB'000)	831,388	830,688
NTA per share (RMB cents)	0.97	0.97

(4) Gearing

The pro forma financial effects of the non-completion of the Proposed Disposal on the gearing of the Company for FY2011, assuming that the non-completion of the Proposed Disposal had been effected as at 31 December 2011 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total Debt (RMB '000)	74,091	74,091
Total Equity (RMB'000)	1,122,875	1,122,175
Debt to Equity Ratio	0.07	0.07

Shareholders are advised to exercise caution in trading their shares. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and Chief Executive Officer
1 October 2012