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RESPONSE TO QUERIES FROM SGX-ST IN RESPECT OF UPDATE ANNOUNCEMENT ON PROPOSED DISPOSAL OF INVESTMENT PROPERTIES IN HONG KONG

The board of directors (the "Board") of Fuxing China Group Limited (the "Company") refers to the announcement released by the Company on 1 October 2012 ("Announcement").

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

The following information is provided in response to SGX-ST's queries:

1. **The announcement cited that the proposed disposal of Investment Properties in Hong Kong was unable to proceed "*due to outstanding matters in connection with the legal requisitions or inquiries made by the Purchasers in respect of the Investment Properties*". Please elaborate on the nature of these outstanding matters that led to the cancellation of the proposed disposal.**

   Company's response:

   The Investment Properties comprise 4 office units on the entire 16th floor. The outstanding matters arising from the Purchasers' legal requisitions relate to the sub-division of these units.

   The Company's wholly-owned subsidiary Fook Hing acquired the Investment Properties in 2009. The entire 16th floor was then already sub-divided into 4 office units for purposes of leasing out these office units. Pursuant to the Purchasers' legal requisition or inquiries in August 2012, they raised objections to the said sub-division or partition works between the units and required that Fook Hing rectifies the same prior to legal completion by altering the existing layout of the 4 units. Fook Hing's Hong Kong legal counsels have advised that the Purchasers' objections and requirement is a contractual matter between the parties and there are no governmental or regulatory penalties involved. These 4 office units were sold subject to existing tenancy and the latest will only expire in November 2014. Alteration works cannot be carried out without affecting the use of the premises by the tenants. These matters could not be resolved to the mutual satisfaction and agreement between Fook Hing and each of the four Purchasers, resulting in the cancellation of the proposed transaction.

2. **Would the aforementioned "*outstanding matters*" arise in future attempts to dispose the said Properties or other properties? Please explain the reasoning.**

Company's response:

Future purchasers of any of the Investment Properties are likely to raise similar objections to the sub-division works.

Should Fook Hing wish to dispose of the Investment Properties in the near future, it would first consider disposing the Investment Properties to a single purchaser as-is-where-is, in the same manner in which Fook Hing acquired the Investment Properties. The Company's management is of the view that Hong Kong's commercial property market is currently buoyant and there is healthy and strong demand for commercial properties in well located locations, so the Company will first consider disposing the Investment Properties to a single buyer for the entire floor.

Should there be more than one purchaser who wish to acquire any of the Investment Properties from Fook Hing either at the same time or at different times, and depending on which of the office units are contemplated to be sold and the lease status and/or outstanding lease term relating to such units, Fook Hing would ensure any sub-division issues are addressed satisfactorily with the potential purchasers in advance such that legal completion of the disposal can be achieved timely.

3. **What was the basis for the Company to offer compensation (of HK$1,000,000 each) to the 4 intended Purchasers?**

Company's response:

The Provisional S&P Agreement provided for compensation to be paid to the Purchasers if the sale and purchase of the Investment Property cannot be completed by the vendor or seller (equivalent to the 10% deposit paid by the Purchasers, being approximately HK$7.33 million in aggregate). However pursuant to negotiations with the Purchasers, the latter agreed to accept a reduced amount of compensation of HK$1,000,000 each (HK$4 million in aggregate), as a mutually agreed settlement amount between the parties, in view of the impasse in negotiations and the fact that both parties were not able to agree upon a mutually acceptable and satisfactory resolution of the legal requisitions or inquiries.

4. **In the announcement, please provide details on the compensation payments, including when such payments will be remitted, whether these will being paid out of Company's funds with future recovery from Mr Hong Qing Liang, or whether payments will be made personally by Mr Hong Qing Liang directly. If the former, please also include the expected time frame, or scheme of arrangement, on the recovery from Mr Hong Qing Liang. Upon payment of the compensations, please make the relevant announcement via SGXNET**.

Company's response:

The Company's management has confirmed that Mr Hong Qing Liang has already remitted funds out of his personal bank account to directly settle the full amount of the HK$4 million compensation.

BY ORDER OF THE BOARD

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