FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)
(Company Registration No.:38973)

SPECIAL GENERAL MEETING

RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

The Board of Directors of Fuxing China Group Limited ("the Company" or together with its subsidiaries, the "Group") refers to its announcements dated 2 November 2020 on the Special General Meeting ("SGM") to be held on 18 November 2020.

The Company would like to thank shareholders for submitting the questions in advance of its SGM to be held on 18 November 2020 via electronic means.

The Company's responses to the questions from shareholders in respect of its SGM can be found in the appendix to this Announcement.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang

Executive Chairman and Chief Executive Officer

13 November 2020

APPENDIX

Responses to Substantive and Relevant Questions for the Company's SGM

Question 1:

According to the report, the valuation of the entire building is RMB 477.7 million, and the 25th Floor that is being retained is RMB 16.1 million. Underground parking spaces are worth RMB 35.4 million of which there are 281 economic units so the valuation of each unit is RMB 35.1 thousand. If the commercial economic interest of car parks being retained relates to 29 spaces, that has a further value of RMB 1 million. Therefore based on the outside valuation expert report, all the retained assets are worth RMB 17.1 million. Why then is there a difference between the sale price at RMB 430.3 million and this valuation of RMB 47.4 million leaving RMB 30.3 million unexplained?

Reply 1:

Breakdown of the market value for Xiamen office building as follows:

	RMB'000	RMB'000
Office from 2/F to 25/F		442,300
Carparks (318 units)		35,392
Total market value as per valuation report		477,692
Proposed disposal office units:		
- from 5/F to 24/F + Unit 405 &406	388,779	
- from Carparks disposal (252 units)	29,088	
Market value for disposed units as per valuation report		417,867
Market value for unsold units		59,825
Breakdown as follows:		
Unsold office from 2/F to 3/F, 25/F & Unit 401-404		53,325
Unsold carparks (66 units)		6,500
Market value for unsold units		59,825

The market value of unsold office building and carparks was valued at RMB59.8 million. Except for the 25/F retained for the Group's corporate office, the other units are currently being rented out for rental income. The Group is also seeking to dispose the unsold units in the future if there are interested buyers.

	RMB'000
Sale price for proposed disposal units	430,290
Market value for proposed disposal units	417,867
Surplus	12,423

The difference between the sale price and the market value of proposed disposal units was RMB12.4 million, representing a surplus of RMB12.4 million over the market value as at 30 June 2020. The Group's management was of the view that the prices of the commercial office buildings in Xiamen City would continue to be at depressed levels for the next three years.

Question 2:

Why are 100% of the proceeds targeted for loan repayments, and reinvestment in a loss-making business? Are these the best uses of the net proceeds from our best asset?

Reply 2:

As explained under use of proceeds under section 6.2 on page 16 of the disposal circular, 45.4% of the proceeds amounting to approximately RMB170.0 million would be used for repayment of bank loans which will yield interest expenses savings of approximately RMB6 million annually. The reduction in the gearing ratio will greatly strengthen the Group's financial position and put it on a stronger footing.

As explained under section 6.3 on page 17 of the disposal circular, 29.4% of the proceeds amounting to approximately RMB110.0 million would be used for production automation and machine replacement. Please refer to the said section 6.3 for full details including detailed cost breakdowns and rationale for such replacement. Following the automation and replacement, the forecasted production capacity increase is expected to be 20% in aggregate. In addition, the quality of zippers produced would be enhanced which will propel its ongoing sales efforts to attract more customers and orders. Management believes the market has began to show signs of recovery and thus is cautiously optimistic of a turnaround of its business over the next few years. With the forecasted production capacity increase in the next few years, the Group would be better equipped to take advantage of the upturn of the anticipated market recovery in the next few years.

As explained under use of proceeds under section 6.2 on page 16 of the disposal circular, 19.1% the proceeds amounting to approximately RMB71.7 million would be used for working capital needs to support the Group's operations.

Question 3:

While I note the Board has considered and is inclined to allocate some of the proceeds to shareholders, why has the Board not agreed to set aside a specific amount of the proceeds from the sale of the most important asset for actions to enhance shareholder value such as a special dividend, share buyback, or a partial tender?

Reply 3:

In view of the current challenging market situation coupled with the uncertainties arising therefrom, the Group has decided to adopt a prudent approach to set aside a certain amount of funds for its operational needs. In addition, as the Group and the Company are currently in substantial accumulated losses positions and the disposal will give rise to a substantial loss on disposal, the Company may need to undertake a capital reduction in order to make any shareholder distribution. The Company will consider the quantum of any distribution to shareholders after considering the accumulated losses position and its cashflow requirements and other factors and will update shareholders if there are any material developments in this regard. On a prudent basis, the Board decided to have some flexibility over the quantum of any shareholder distribution and thus has decided not to set aside a specific usage allocation for the same.

Question 4:

Why does the Board think it is a sensible use of money to continue to incur the costs of retaining a Singapore listing for a loss-making Chinese fastener business that will not be able to raise capital locally? What are the advantages of this listing?

Reply 4:

The Board has always strived to put our shareholders' interests first and foremost. We will safeguard the shareholders' interests in two main ways. Firstly, the Group is on reduction of costs exercise, reducing costs of production such as pay cuts and working days of the various departments and also to reduce the borrowing costs of its bank loans. Secondly, the Company is currently exploring new business opportunities through new ventures or tie ups to diversify its business risks and income streams. The listing status of the Company would enable it to tap the capital markets for additional funds should the Company decides to undertake strategic corporate actions at the opportune time. As the discussions are still in preliminary stages, the Company will update shareholders upon any material developments and progress in this regard.

Question 5:

There is minimal liquidity in the share. What plans does the company have to improve liquidity - post the disposal if the listing is to continue?

Reply 5:

The performance of secondary market stock price is not only affected by the fundamentals of the company, but also affected by the macro economy, industrial policies, market expectations, investor preference, attention and other factors. The Company is always exploring strategic options and opportunities to enlarge the Company's share capital and shareholders' base, to help to boost liquidity in the Company's shares by having a larger public float.

Question 6:

What plan has the Board got either to manage a delisting in a fair and honorable way or to avoid forcible delisting once the property is sold?

Reply 6:

The management currently has no intention or plan to delist the Company. The Company's current zipper production and operations are functioning normally, with no disruptions. The Group will target to reduce the losses by improving production efficiency and product quality and also increase in sales efforts to reach out to more customers. In addition, as mentioned under response to query 4 above, the Company is also on the look out for new business ventures to improve the Group's profitability and in the process, enhance shareholders'values.