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 announcement in relation to the discrepancies between unaudited and audited accounts released to SGX-ST via SGXNet on 11 April 2024.

The following information is in response to the SGX-ST's queries dated 17 April 2024:

(a) Please advise the reasons why the gain of RMB 3.5 million was not recorded in the unaudited accounts announced on 29 February 2024;

Company's response:

The gain of RMB 3.5 million was recorded subsequent to the release of the FY2023 results announcement ("**Results Announcement**") on 29 February 2024 as the valuation report was finalized and issued on 20 March 2024 and thus the gain was not reflected in the Results Announcement.

(b) Please quantify the change in valuation assumptions that resulted in the gain of RMB 3.5 million in FY2023, and provide details of the investment property, including its location, existing use, occupancy rate and lease tenure, etc.;

Company's response:

The investment property comprised of certain office units located on the 2th to 4th floor and certain parking lots at No. 73 Tai Nan Road, Siming District, Xiamen City, Fujian Province, the People's Republic of China ("**Investment Property**"). The Investment Property was valued at market value and there was no change in the valuation assumptions in FY2023 as compared to FY2022. These units were rented out to independent third parties as usage for office for rental income at occupancy rates of approximately 94 % as at 31 December 2023 and for average lease tenure of approximately 8 years.

(c) Please disclose the identity of the independent valuer, including the valuer's experience and qualifications, and whether the valuer and the valuation professional are accredited by any professional body;

Company's response:

The Company had commissioned Quanzhou Decheng Assets Appraisal Co., Ltd.(泉州德誠資產評估有限責任公司) ("**Valuer**") to undertake an independent valuation on the Investment Property to provide shareholders of the Company with an opinion of the market value of the Investment Property. To the best of the Directors' knowledge, the Valuer was established in the year of 2000 and since then has undertaken valuation work for large corporations and listed companies such as Yuzhou Properties Company Limited (廈門禹州集團), Youlanfa Group (優籣發集團) and the Industrial and Commercial Bank of China Limited (Xiamen Branch) (中國工商銀行股份有限公司廈分行), which are listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange.

The Valuer is accredited under the China Appraisal Society, a self-disciplinary organization of the appraisal profession under the supervision, regulation and guidance of the Ministry of Finance in the PRC and a member of the International Valuation Standards Council (IVSC).

The Company confirms the independence of the Valuer, which is not related to or in partnership with or employed by a substantial shareholder, Director, employee or related party of the Group or any of its subsidiaries.

(d) Please disclose the details of the valuation, including valuation date, valuation methodology used, any key assumptions made by the valuer and whether the valuation has been carried out in accordance with the International Valuation Standards; and

Company's response:

As disclosed on page 75 of the FY2023 Annual Report, under note 3.2, "***Estimated fair value of investment property***" as follows:

Investment property is stated at fair value, determined by independent valuer which based on the Direct Market Comparison Method that comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. Gain or loss arising from change in the fair value of investment property is recognised in the profit or loss in the year in which it arises. The fair value of the investment property as at 31 December 2023 is disclosed in Note 14 to the financial statements.

As disclosed on page 85 to 86 of the FY2023 Annual Report, under note 14, "***Valuation of investment property***" as follows:

Investment property is stated at fair value based on management's intention to resale the property, which has been determined based on valuation performed as at 31 December 2023 and 2022. The valuation of investment property was performed by the Valuer on the reporting dates. The Valuer has a recognised and relevant professional qualification and with relevant recent experience in the location

and category of the properties being valued. The valuation is based on the direct market comparison approach that makes reference to the market values of comparable properties in the same area.

Key unobservable input used is the transacted prices per square metre of comparable properties in close proximity based on recent market transactions. These recent transacted prices are subsequently adjusted to consider the size of the Group's property, the age of the building, the remaining tenure of the property and/or the plot ratio of the land relative to those of the comparable properties sold to derive the fair value of the Group's property. An increase in transacted prices per square metre would increase the valuation.

As disclosed in the above respective notes to the FY2023 Annual Report, the valuation date was as at 31 December 2023, and the Direct Market Comparison Method used is in accordance with the International Valuation Standards.

(e) Please disclose whether the Company has committed to any timeline for the sale of the investment property and whether the Company has identified any buyer for the investment property. To also explain why such investment property has not been classified as assets held for sale in the Balance Sheet.

Company's response:

The Company has not committed to any timeline for the sale of the Investment Property as the property market in China now is still sluggish and the Company has not identified any buyer for the Investment Property as it is challenging to find buyers at the appropriate prices for the Company to sell off the Investment Property in a slow property market.

The Investment Property was classified from "Assets held for sale" in the Balance Sheet under ***"prior year adjustments*** " under note 34 on page 109 of the FY2022 Annual Report as the criteria under SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations to be classified as assets held for sale was unable to be met as follows:

Note 34. Prior year adjustments

(a) Investment property

In FY2019, given the development and market sentiments in the PRC's real estate industry, the Group had determined that it was in the best interest of the Group to sell off the investment property. On 19 May 2020, the Group had obtained the local authorities' approval for the disposal. On 3 July 2020, the Group had entered into provisional sale and purchase agreements (the "Provisional SPAs") with interested buyers to dispose part of the investment property, Fuxing International Centre, for an aggregate consideration of RMB 430,290,420. These sales were executed and completed on 4 December 2020. For the financial year ended 31 December 2020, the Group reclassified the investment

property with carrying amount of RMB 437,918,000 to assets held for sale. The Group had completed the disposal of certain units of the property.

In FY2022, certain units of the property with carrying amount of RMB 38,600,000 remained unsold. ***The remaining units of the property do not meet the criteria under SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations to be classified as assets held for sale.***

Management corrected the material prior period's error identified above retrospectively by restating the comparative amounts for the prior period's statement of financial position in accordance with SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors.

The remaining unsold units of the Investment Property was valued at RMB38,600,000 in FY2022. Based on the independent valuation carried out in FY2023, the same remaining unsold units of the Investment Property was valued at RM42,060,000, resulting in fair value gain on valuation of RMB3.5 million being recorded in FY2023. For the movement in the value of the Investment Property, please refer to note 14 on page 85 of the FY2023 Annual Report as follows:

Note 14: Investment property

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
At fair value:		
At 1 January	38,600	38,600
Fair value change	3,460	-
At 31 December	42,060	38,600

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
19 April 2024