FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)
(Company Registration No.: 38973)

ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2025
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of Fuxing China Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") would like to thank all shareholders who submitted their questions in advance of the Annual General Meeting to be held at Level 4, Training Room 4-2, 60 Cecil Street, ISCA House, Singapore 049709 on Wednesday, 30 April 2025 at 11.30 a.m..

Please refer to the Company's responses to the substantial and relevant questions received from shareholders as set out in the Appendix to this announcement.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
25 April 2025

APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

The questions from shareholders have been reproduced in verbatim. However as some of the questions overlap, the Company has grouped some of the questions for ease of answering and reading.

Shareholder's Question 1:

Since the stock trades at around 30 times less than book value, why is the board not focused on finding a way to buy back some shares in SGX? Even 100K SGD buyback per year (which is less than director fees) can allow the company to acquire a decent percentage of the shares at such a bargain price, it is basically free money at this point.

If it is not possible because of currency conversion problems, is it possible for you to use part of the potential IPO proceeds for share buyback in US market/SGX? Because it will be a bad decision to convert the USD to RMB if you already have a lot of RMB and you plan to dispose of the RMB subsidiary anyway. Let's keep the USD cash to buy back very cheap shares in the stock exchange until it reaches reasonable price

Please advise you have plans to stop this huge gap between share price and NAV, especially since it can be a huge opportunity for the current shareholders who do NOT want to sell, to be able to acquire a huge quantity of shares at dirt cheap price.

Company's Response

Based on the share buyback transactions conducted in previous years before the lapse of the share buyback mandate, the fees incurred for the SGX announcement preparation and release in relation to share buyback and brokerage costs incurred in share buyback can be relatively high as compared to the value of the shares being available to be brought back and actually brought back and the past share buyback conducted has no material impact on the Company's share price then. The Company's shares have low liquidity for years and should the Company buy back more from the public, this will reduce the public float and exacerbate the low liquidity issue of the Company's shares.

The usage of the potential IPO proceeds from the Nasdaq listing has already been designated and disclosed in the prospectus statement lodged. As such, the Company is of the view that it is not advisable to utilize a portion of the US dollars IPO proceeds for share buyback as this will be material deviation from the IPO usage planned.

The Management is cognizant of the huge gap between the Company's share price and net asset value and will focus on improving the financial performance of the Company and hope that listing on Nasdaq can help increase the liquidity and trading volume of its shares. Nevertheless, share price is function of market conditions and forces which are beyond Management's control.

Shareholder's Question 2:

In the last annual report, it is said that:

"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 2024 and 2023. The valuation of investment property was performed by the Valuer on the reporting dates."

It is also written: that fair value is 42,060,000 RMB and that Rental income and management income

(including direct expenses) – net is: 6,572,000 RMB, last year it was also 7,286,000 RMB

Can the CEO explain:
a) How a property bringing in 15.63% annual yield be worth so little compared to the price at which you recognize its "fair value". is it because "fair value" is the price of the property AFTER all depreciation expenses, but the actual value or resale value could be much higher?
If no, then please explain how it is valued so low compared to the rental income and what is the purpose to sell such a high yield passive income investment.

b) Can you please start paying a dividend, no matter how small, just to be able to unlock the value of the shares and reward shareholders? The market cap is around 3M SGD. Just a small dividend of 1.5M RMB (around 270K SGD) will bring a yield of almost 8 to 9 percent a year at current price of the market cap and can help unlock value, reward shareholders and increase investors' confidence in the management/company.

c) If you end up selling the subsidiary or the investment property or both, can you consider paying a small one time special dividend to reward shareholders. If not, can you explain why?

d) Can you explain why the company, you or any member of the upper management are not buying back a bit of the stock with your own money. Since it is trading 30 times less than book value and you already own more than 50% of the shares, surely it will be a great deal for both you and the common shareholders if you placed an offer to buy us back at, let's say 15 times less than book value? Or example 0.4 SGD per share? Please tell us why you prefer to advance almost 2M USD for the US IPO and give up half your equity.

It should make more sense for your own personal financial gains and the shareholders to just have used this money to buy us back? What do you think.

e) In the past the CEO has wired around 2M USD from his personal account to the Hong Kong subsidiary account to pay and start the fees for the potential Nasdaq IPO.
Can the CEO explain why he cannot do the same now or in the near future for a stock buyback in SGX? Why not put 1M USD or even 500kUSD from his own account into the main holding account in BVI? Then the company does a stock buyback on SGX, and the CEO can get refunded in RMB or HKD by the company.

f) And for my previous point, if 500K USD is too much money, why not just 200 or 100K SGD per year for a stock buyback in SGX? SGX allows companies to buy back up to 10 percent per year. I think this is an absolute no brainer, because it helps the current shareholders and CEO get huge value by getting shares at less than 30 times book value, it also unlocks a bit of value and add a bit of liquidity for current shareholders who wants to exit part of their equities, and it is at no cost to the CEO as the company can refund him in HKD or RMB. If he had around 2M USD for the IPO to advance, surely he can afford to loan 100K or 200K SGD for a year?

Can the CEO commit to do the previous option or to consider it strongly and come back to us in the near future with a reply of why he decided to do it or not if the proposed IPO on nasdaq fails? It is important for us foreign shareholders to have direct comments from the CEO on this.

Company's Response

a) The high rate of return on investment properties in FY2024 and FY2023 was apart from rental income, mainly attributable to management services fee income which increased the total income earned from the investment properties. The value of the investment properties was assessed by independent valuer based on the direct market comparison approach that made reference to the market values of comparable properties in the same area. Fair value gain of RMB3.5 million was recorded in FY2023 while for FY2024, there was no material increase in the fair value of the investment properties.

b) The Group and the Company were in huge accumulated losses positions for past years which has hampered the Company's ability to declare a dividend. The capital reduction exercise conducted in December 2024 has wiped off the large accumulated losses at the Group and Company's level and this put the Group and the Company on better footing to consider declaration of a dividend when the Group has achieved a certain level of profitability.

c) Upon the disposal of the subsidiary or the investment property or both, the Company will consider the payment of one-time special dividend. The amount of dividends to be declared will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors.

d) ,e), f) In view of the enlarged share capital base of the Company upon the listing on Nasdaq, the Management (CEO included) is of the view that share buyback is not an optimal plan to enhance shareholder value, as the increase in the number of shares arising from the new shares issuance from the potential Nasdaq listing will possibly mitigate the financial effects from the reduction in the number of shares arising from the share buyback to be conducted.

The Company would like to clarify that the person who wired funds to the Hong Kong subsidiary account to help pay the IPO expenses is Mr Hong Qing Liang, the Company's Executive Chairman and co-founder of the Group, not the CEO as the shareholder mentioned.

As explained above, share buyback will worsen the liquidity situation of the Company's shares and reduce its public float. Mr Hong and the Management is of the view that the Nasdaq listing is beneficial for the Company's long-term development. The Company intends to tap the US market for its huge capital market and larger investor base and higher liquidity. The Management believes the Company should be able to command higher market valuation through having its shares traded on Nasdaq as compared to the extremely low liquidity and low market valuation in Singapore. The Company would also have a good platform for future fund-raising exercises. This would considerably uplift the Company's market valuation and corporate image and standing in the long run thereby benefiting the minority shareholders.

Shareholder's Question 3:

a) There was once a prospectus offer in Nasdaq for between 4 and 4.5 USD per share. In less than 1 year, the approximate prospectus price of the IPO was divided by 15. Can the CEO explain how such a huge misstep devaluation compared to the first proposal is even possible?

b) Can the CEO, who owns around 50 percent of equity in a company, explain why he would accept to divide his equity in half for a ridiculously low valuation of price to net asset value in the potential nasdaq IPO prospectus price of between 4 to 6 USD per ADS (15 shares per ADS).

In the best hypothetical scenario, that is less than 10 times the reported net asset value (NAV) per share of RMB 33.9.

Why would the CEO even allow himself to give up half of his equity of 33.9 RMB per share for almost nothing (less than 10 times the valuation).

c) Does the CEO actually believe the net assets of the company are worth around 33.9 RMB per share? How much of that value does the CEO think is actually really there, since he is willing to sell half of his stake by dilution at a price 10 times less than that value. If the CEO really believed in the 33.9 RMB per share of NAV, it would make much more sense for him to sell his company at, for example 20 RMB per share? or 15 RMB per share? Even 9 RMB per share valuation is more than 3 times the maximum price out of which the CEO is considering diluting half his stake and half the stake of the entire shareholders.

Company's Response

a) The initial application was for a secondary listing on Nasdaq based on an issuance of ordinary shares, and such new shares and the existing ones listed on the SGX-ST are not fungible or transferable between the two exchanges. Subsequent to consultations with the SGX-ST, it was decided that in the interests of the shareholders in Singapore, the trading of the shares should be fungible between the two exchanges and shareholders in Singapore should be able to also trade on the Nasdaq (and vice-versa). Accordingly, and pursuant to the consultation with and advice of the Company's Nasdaq listing professional advisers, the Nasdaq listing is to be undertaken as a dual primary listing by way of American Depository Shares instead. The 15 ordinary shares to one ADS ratio was attributable mainly to the low trading price of the Company's shares on the SGX-ST. It is therefore not a misstep in valuation but a change of listing structure instead.

b) Mr Hong Qing Liang, the Company's Executive Chairman who currently owns around 50 percent of the Company's shares, is willing to accept dilution of his stake because he believed the listing is beneficial for the Company's development in the long run by tapping on a liquid and developed capital market like the Nasdaq in the United States and which may facilitate future fund raising efforts.

c) The Group's financials had been audited by independent auditors since the Company's IPO in 2007 under the Singapore Exchange's requirements and each year, the auditor has issued unqualified opinion on the accounts. As such, the Management is of the view that there is no reason to dispute the net asset value of the Group and the Company whereby rigorous audit had been performed yearly. For the purpose of the listing on Nasdaq, the audit on the Group's proforma financials had been performed too.

The Company and the Board is not in position to comment on Mr Hong Qing Liang's view on his personal stake as he has his own personal perspectives on the intrinsic value of his interest in the Company.

Shareholder's Question 4:

a) Can the CEO actually explain the regulations/problems of getting money out of PRC for shareholders? What does the process look like if you tried to pay dividends or distribute money from potential sold assets in the future, like the subsidiary or the real estate unit.
Do you have a place where you can apply? Will it get rejected or infinitely delayed?
There is a lot of talk about whether it is possible for companies to distribute money to shareholders out of PRC. It is almost impossible for us outside to understand exactly the reality of what happens if you try to apply to pay dividends or distribute money. Please explain.

b) In relation to the previous question, please explain whether you considered or tried to even apply to pay dividends, no matter how small they are to SAFE administration in PRC.
Have you ever gotten denied in the past? for what reasons? What conditions do you need to fulfil in the current environment to be able to transfer money out of PRC to us shareholders, through dividends or just sale of assets?

c) Why not consider an IPO in mainland China or to sell your company or some/all of the shares of the foreign shareholders to some other firms in China so that we can unlock more value? In the current IPO prospectus price, in the best case, you are considering diluting us half for less than 10 times net asset value. Why not just sell the entire foreign owned shares (owned by us foreign shareholders) or even the entire company to other local firm/IPO/investment firm/bank/partner in China in RMB at a much better valuation, and transfer that RMB money to all the foreign shareholders, to buy us out at a much better and FAIR valuation.

Please reply in details of if you have considered this, or why you haven't. And also whether you think that is possible or not.

Company's Response

a) Regulatory restrictions: Under the Company Law in China, capital is prohibited from being withdrawn once contributed. Funds transferred out of China must be through legal means like capital reduction, dividends, and equity repurchase.

The domestic remittance process is as follows:
To distribute dividends out of China, the Company has to provide tax payment certificates (10% of the remittance amount), audit reports, board resolutions, and other materials for the bank to review and process the remittance and approval from SAFE is needed.

b) The Company has not applied for any dividend remittance in more than 10 years, and accordingly has not encountered any rejection or indefinite delay.

Due to capital control requirements and capital optimalization plan, the company currently has no historical applications or any plan for remittance out of China yet. In the current regulatory environment, for the conditions for remitting funds to overseas shareholders through dividend distribution, please refer to explanation under a). Distribution of funds from potential sale of assets in the future, involving any subsidiary or the real estate unit are not in compliance with regulatory requirements, as explained under a).

c) Currently, the financial performance of the group has yet to meet the listing requirements and criteria for IPO in mainland China. So far, domestic peers in the same trade as the Group has not expressed any interest to acquire any stake in the Company.

As explained in a), only three ways can be used for RMB cross-border settlement: capital reduction, dividends, and equity repurchase.