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

PROPOSED DISPOSAL OF INDIRECT, WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

---

1. INTRODUCTION

1.1 The board of directors ("**Board**" or "**Directors**") of Fuxing China Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that, on 11 December 2024, Jade Star Group Holdings Limited ("**Jade Star**"), a wholly-owned subsidiary of the Company had entered into, *inter alia*, a conditional share purchase agreement (the **"SPA**") with Liansheng (Jinjiang) New Materials Group Co., Ltd (联盛（晋江）新材料集团有限公司) ("**Liansheng**" or the "**Purchaser**") for the disposal of all of the equity interest held by Jade Star (the "**Sale Equity**") in Jinjiang Jianxin Weaving Co., Ltd. ("**Jianxin**" or "**Target Company**"), representing 100% of the total registered and paid up capital of Jianxin (the "**Proposed Disposal**").

1.2 The Proposed Disposal is considered a "major transaction" of the Company as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Listing Manual**") and is subject to the approval of the shareholders of the Company (the "**Shareholders**") being obtained at a special general meeting (the "**SGM**") to be convened. For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual, please refer to Section 3 of this Announcement. Upon the completion of the Proposed Disposal, Jianxin will cease to be a subsidiary of the Group.

1.3 In this announcement, unless otherwise stated, the exchange rate applied by the Group for the conversion of Singapore Dollar ("**SGD**" or "**S$**") into Renminbi ("**RMB**") is S$1.00:RMB5.43, based on the exchange rate between SGD and RMB as at 9 December 2024 *(Source: Bloomberg)*.

2. INFORMATION ON THE PURCHASER AND THE TARGET COMPANY

2.1 <u>Information on the Purchaser</u>

Liansheng is a company incorporated under the laws of the People's Republic of China (the "**PRC**"), having its registered address at 118 Longshi Road, Longhu Town, Jinjiang City, Fujian Province, PRC. Liansheng is engaged in the business of, among others, providing new material technology promotion services and Internet of Things technology and application services.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and the Guarantor (as defined below) are independent and do not have any shareholding interest, direct or indirect in the Company, nor are they related to the

Group, the Directors, the controlling shareholders of the Company, or their respective associates.

There are no introducer fees paid or to be paid by the Company in connection with the Proposed Disposal**.**

2.2 Information on the Target Company

The Target Company, an indirect wholly-owned subsidiary of the Company (being wholly-owned by Jade Star), is a company incorporated under the laws of the PRC and is engaged in the manufacturing and sales of dyed yarn.

The financial information of the Target Company is as follows:

RMB	**FY2021**	**FY2022**	**FY2023**	**Half year ended 30 June 2024**
Net Liability Value	**12,578,650**	**12,115,939**	**11,150,065**	**128,022**
Profit/(Loss) before Tax	**(2,438,621)**	**483,764**	**1,007,146**	**11,307,458[1]**

2.3 Value of the Sale Equity

Based on the latest announced unaudited condensed interim financial statements of the Group for the half year ended 30 June 2024 ("**HY2024**"), Jianxin has a net liability value of approximately RMB128,022, and the net profit attributable to Jianxin is approximately RMB11,307,500. The open market value of the Sale Equity is not available as the Sale Equity is not publicly traded.

The Company had commissioned a valuation of the market value of 100% equity interest in the Target Company as at 31 July 2024 ("**Valuation Cut-off Date**") by an independent third-party valuer, Quanzhou Decheng Asset Appraisal Office (General Partnership) (泉州市德诚资产评估事务所(普通合伙), for the purposes of this Proposed Disposal. Based on the valuation report dated 16 October 2024 by Quanzhou Decheng Asset Appraisal Office (General Partnership) ("**Valuation Report**"), the Sale Equity recorded a negative book value amounting to approximately RMB14.6 million and was valued at approximately RMB8.3 million based on the asset-based approach adopted by the Independent Valuer.

[1] The net profit attributable to the Target Company comprised profits from non-recurring and one-off transactions involving the disposal of old and obsolete plant and machinery amounting to approximately RMB6,115,800 as well as the reversal of the loss allowances for trade receivables and advances to suppliers of an aggregate of approximately RMB5,861,400. Such extraordinary gains represented in aggregate approximately 105.92% of the total net profits of the Target Company for HY2024. On the other hand, the income generated by the Target Company from renting out its properties amounted to approximately RMB516,200 and represented approximately 4.56% of the total net profits of the Target Company for HY2024.

Accordingly, the Purchase Consideration (as defined below) represents an excess of approximately RMB23.4 million (or approximately S$4.3 million) over the book value of the Sale Equity.

There will be a gain on disposal of the Sale Equity of approximately RMB23.4 million.

Further details in relation to the valuation and a copy of the valuation report will be included in the circular to be dispatched to Shareholders in due course.

2.4 **Principal Terms of the Proposed Disposal**

2.4.1. Consideration

Pursuant to the SPA, the aggregate purchase consideration payable by the Purchaser to Jade Star for the purchase of the Sale Equity is RMB8.8 million (or approximately S$1.6 million) in cash ("**Purchase Consideration**"). The Purchase Consideration shall be payable by the Purchaser in full to the bank account designated by Jade Star by way of bank remittance within 90 business days from the date of the SPA.

The aforesaid Purchase Consideration was determined pursuant to commercial negotiations between the Purchaser and Jade Star in good faith and on an arm's length basis, taking into account (i) the valuation of the Target Company's net assets attributable to the Sale Equity of approximately RMB8.3 million (or approximately S$1.5 million) as set out in the Valuation Report, (ii) the repayment of the Outstanding Debt (defined below), and (iii) the general market conditions pertaining to the industry in which the Target Company operates in, *among others*.

2.4.2. Conditions Precedent

The completion of the Proposed Disposal is conditional on the fulfilment of the following conditions, among others:

(a) the delivery of a corporate guarantee by Liansheng (Fujian) Textile Technology Development Co., Ltd. (联盛（福建）纺织科技发展有限公司)[2] (the "**Guarantor**") to Jade Star to be also liable in respect of all of the Purchaser's obligations under the SPA, including the repayment of the Outstanding Debt (the "**Corporate Guarantee**");

(b) Jade Star and the Purchaser having obtained all authorisations necessary for completion of the Proposed Disposal, including relevant board and shareholders' resolutions;

(c) there being no breach of the representations and warranties given by the Purchaser or Jade Star as set forth in the SPA;

(d) the approval of the Company's Board of Directors of the Proposed Disposal; and

[2] The Purchaser and the Guarantor share a common major shareholder.

(e) the approval of the Company's shareholders of the Proposed Disposal at a general meeting to be convened.

2.4.3. Completion

The Proposed Disposal will complete within 90 business days from the date of the SPA. On the date of completion, Jade Star will transfer or procure to be transferred the respective equity interest in the Target Company to the Purchaser in accordance with the SPA and shall, along with the Purchaser, cause such transfers to be duly registered with the relevant governmental, regulatory or other authorities against the receipt of (i) the full payment by the Purchaser of the Purchase Consideration, and (ii) the duly executed Corporate Guarantee by Liansheng (Fujian) Textile Technology Development Co., Ltd. (联盛（福建）纺织科技发展有限公司).

2.4.4. Post-Completion Undertaking

Following completion of the Proposed Disposal, the Purchaser shall ensure and has guaranteed that the Target Company complies with the following schedule to repay all outstanding debts owing by the Target Company to the related corporations of Jade Star as at the date of the completion of the Proposed Disposal up to a maximum of RMB40 million ("**Outstanding Debt**"):

(a) 30% of the Outstanding Debt within 45 business days from the date of completion of the Proposed Disposal;

(b) 30% of the Outstanding Debt within 90 business days from the date of completion of the Proposed Disposal; and

(c) remaining 40% of the Outstanding Debt within 120 business days from the date of completion of the Proposed Disposal.

Such Outstanding Debt arose from interest-free loans and advances extended to the Target Company by the respective creditors listed under paragraph 2.5 below.

2.4.5. Representations and Warranties

Pursuant to the SPA, the key representations and warranties provided by the Purchaser includes, among others, the following:

(a) it has, and has procured, the financial resources to pay the Purchase Consideration and repay the Outstanding Debt in accordance with the SPA; and

(b) the funds utilised by the Purchaser to pay the Purchase Consideration and repay the Outstanding Debt in accordance with the SPA are not derived from illegal means and illegal act.

2.5 **Details of the Outstanding Debt**

As at the date of the SPA, the Outstanding Debt amounts to approximately RMB35 million (or approximately S$6.4 million) and a breakdown of the same is as follows:

Name of Creditor[1]	**Amount Owing by the Target Company (RMB '000)**
Jinjiang Fookhing Zipper Co., Ltd	34,725
Fulong Zipper and Weaving Co., Ltd	290
Total:	**35,015**

Notes:

(1) Each Creditor is an indirect wholly-owned subsidiary of the Company.

3. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

3.1 Chapter 10 of the Listing Manual classifies transactions by the Company into (a) non-disclosable transactions, (b) disclosable transactions, (c) major transactions and (d) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *among others*, the following applicable bases of comparison set out in Rule 1006 of the Listing Manual.

3.2 The Proposed Disposal

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

	Bases under Rule 1006	**Relative Figure (%)**
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	(0.02)(1)
(b)	The net profits / (loss) attributable to the assets acquired or disposed of, compared with the group's net profits.(2)	97.04(3)
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	234.54(4)

(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not Applicable

Notes:-

(1) Based on the net liability value attributable to the Sale Equity of approximately RMB128,000 (or approximately S$23,578) as of 30 June 2024 and the net asset value of the Group of RMB583,014,000 (or approximately S$107,391,179) as at 30 June 2024.

(2) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) Based on the net profit attributable to the Sale Equity of approximately RMB11,307,500 (or approximately S$2,082,842) for HY2024 and the Group's net profit of approximately RMB11,652,000 (or approximately S$2,146,298) for HY2024. The net profit attributable to the Target Company comprises profits from non-recurring and one-off transactions involving the disposal of old and obsolete plant and machinery amounting to approximately RMB6,115,800 as well as the reversal of the loss allowances for trade receivables and advances to suppliers of an aggregate of approximately RMB5,861,400. Such extraordinary gains represent in aggregate approximately 105.92% of the total net profits of the Target Company for HY2024. On the other hand, the income generated by the Target Company from renting out its properties amounted to approximately RMB516,200 and represent approximately 4.56% of the total net profits of the Target Company for HY2024.

(4) On the basis that RMB43.8 million is deemed to be the aggregate consideration for the Proposed Disposal (or approximately S$8.1 million) comprising (i) the Purchase Consideration of RMB8.8 million (or approximately S$1.6 million); as well as (ii) the Outstanding Debt of approximately RMB35.0 million (or approximately S$6.4 million) assuming that there is no change to the Outstanding Debt between the date of the SPA and the date of completion of the Proposed Disposal, and the market capitalisation of the Company being approximately S$3,441,088 (or approximately RMB18,681,257) which is determined by multiplying 17,205,438 shares in issue (excluding treasury shares) by the volume weighted average price of SGD0.200 per share on 10 December 2024 (being the last market day on which the shares of the Company were traded on the SGX-ST preceding the date of the SPA).

Pursuant to Chapter 10 of the Listing Manual, where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a "major transaction" under Chapter 10 of the Listing Manual.

As the relative figure in respect of the Proposed Disposal as computed on the bases set out in Rules 1006(b) and 1006(c) exceeds 20%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual and as such, the approval of Shareholders is required for the Proposed Disposal.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal are presented for illustrative purposes only and are not intended to reflect the actual future financial performance and position of the Company or the Group after the completion of the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group.

The financial effects set out below have been computed based on the latest audited consolidated financial statements of the Group for FY2023 as well as based on the following bases and key assumptions:

(a) the financial effects of the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group on the net tangible assets ("**NTA**") per Share of the Group and the gearing of the Group are computed assuming that the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group was completed on 31 December 2023;

(b) the financial effects of the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group on the earnings per Share ("**EPS**") of the Group are computed assuming that the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group was completed on 1 January 2023;

(c) there being no change to the Outstanding Debt of approximately RMB35.0 million (or approximately S$6.4 million) between the date of the SPA and the date of completion of the Proposed Disposal; and

(d) expenses incurred in connection with the Proposed Disposal and the repayment of the respective Outstanding Debt to the Group are estimated to be approximately RMB167,800**.**

5.1 NTA per Share

As at 31 December 2023	**Before the Proposed Disposal**	**After the Proposed Disposal (Before Repayment of Outstanding Debt)**	**After the Proposed Disposal (After Repayment of Outstanding Debt)[1]**
NTA (RMB'000)	573,722	593,671	593,671

Number of Shares (excluding treasury shares)	17,205,438	17,205,438	17,205,438
NTA per Share (RMB)	33.35	34.50	34.50

Note:

(1) In accordance with the SPA, approximately RMB35,015,000 will be repaid to Jinjiang Fookhing Zipper Co., Ltd and Fulong Zipper and Weaving Co., Ltd, both of which are indirect wholly-owned subsidiary of the Company.

5.2 EPS

For FY2023	**Before the Proposed Disposal**	**After the Proposed Disposal (Before Repayment of Outstanding Debt)**	**After the Proposed Disposal (After Repayment of Outstanding Debt)** [1]
(Loss)/Profit attributable to shareholders of the Company (RMB'000)	(11,033)	8,916	8,916
Number of Shares (excluding treasury shares)	17,205,438	17,205,438	17,205,438
EPS (RMB)	(0.64)	0.52	0.52

Note:

(1) In accordance with the SPA, approximately RMB35,015,000 will be repaid to Jinjiang Fookhing Zipper Co., Ltd and Fulong Zipper and Weaving Co., Ltd, both of which are indirect wholly-owned subsidiary of the Company.

5.3 Gearing

For FY2023	**Before the Proposed Disposal**	**After the Proposed Disposal (Before Repayment of Outstanding Debt)**	**After the Proposed Disposal (After Repayment of Outstanding Debt)** [1]
Total Borrowings of the Group (RMB'000)	87,300	87,300	87,300

For FY2023	Before the Proposed Disposal	After the Proposed Disposal (Before Repayment of Outstanding Debt)	After the Proposed Disposal (After Repayment of Outstanding Debt) [1]
Shareholders' Equity (RMB'000)	573,722	593,671	593,671
Gearing Ratio	0.15	0.15	0.15

Note:

(1) In accordance with the SPA, approximately RMB35,015,000 will be repaid to Jinjiang Fookhing Zipper Co., Ltd and Fulong Zipper and Weaving Co., Ltd, both of which are indirect wholly-owned subsidiary of the Company.

5. USE OF PROCEEDS

The net proceeds from the Proposed Disposal (after taking into account the repayment of the respective Outstanding Debt to the Group and the deduction of expenses of approximately RMB167,800 (or approximately S$30,909) in connection with the Proposed Disposal) will be used by the Company for general working capital requirements of the Group to improve the Group's immediate liquidity and working capital position and mitigate the impact of its operational losses for the financial year ended 31 December 2023.

6. RATIONALE FOR THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal is in the best interest of the Company and its shareholders for the following reasons:

Winding Down of Business Operations & Increase in Future Operating Costs

The Board notes that Jianxin had recorded losses in respect of its processing business segment for the last four completed financial years and HY2024. The business operations of Jianxin have been winding down over the past few years due to the ageing machinery and the high costs involved in the replacement of such machinery. Further, the winding down of Jianxin's business operations does not significantly affect the other business operations of the Group. Additionally, given that the PRC intends to introduce stricter environmental regulations in respect of the manufacturing of dyed yarns, the Board expects the operating costs of Jianxin to increase in order to ensure compliance with the new regulations to be introduced. Taking into consideration the foregoing, the operational revenue is not expected to be significant.

Loss of Rental Income

The Board also notes that rental income of Jianxin decreased to approximately RMB516,200 in HY2024 due to the termination and non-renewal of several tenancies. Due to the difficulties

faced in securing new tenants due to the currently challenging economy, the Board does not expect any improvement in the short term.

Extraordinary Gains and/or Non-Recurring Profits for HY2024

Notwithstanding that the net profit attributable to Jianxin for HY2024 amounted to approximately RMB11,307,500, the Board notes that this had been due to one-off transactions involving the disposal of old and obsolete plant and machinery as well as the reversal of the loss allowances for trade receivables and advances to suppliers. As described under paragraph 3.2 of this announcement above, such extraordinary gains and/or non-recurring profits represent in aggregate approximately 105.92% of the total net profits of Jianxin for HY2024 and Jianxin would have otherwise recorded a net loss before tax of approximately RMB669,700 for HY2024.

Net Liability Position

Jianxin has been in a net liability position for the last four completed financial years and for HY2024 arising primarily due to the Outstanding Debt. The repayment of the Outstanding Debt pursuant to the SPA would thus allow the Group to recover its investments in Jianxin and significantly improve the Group's immediate liquidity and working capital position.

Given the aforementioned reasons, the Proposed Disposal is expected to improve the Group's future financial position and operational performance. It will also allow the Group to focus on its other businesses, and re-strategise and re-allocate its financial and capital resources resulting in more working capital for the expansion of the Group's other businesses or into new businesses. This may, in turn, enhance long-term shareholders' value of the Company.

The Proposed Disposal will also not have any material impact on the Group's core businesses and/or business segments.

7. DISCLOSURE OF INTERESTS

As at the date of this announcement, none of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

8. SERVICE CONTRACTS

No service contracts will be entered into by the Company with any person in connection with the Proposed Disposal.

9. SGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene a special general meeting ("**SGM**") to seek the approval of the Shareholders for the Proposed Disposal and a circular containing, among others, details thereof, together with the opinions and recommendations of the Directors in relation thereto and

enclosing the notice of SGM in connection therewith, will be despatched to the Shareholders in due course.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are further developments on the same.

12. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will proceed to completion. Shareholders are advised to read this announcement and any further announcements and the circular by the Company. Shareholders should exercise caution in trading their shares in the Company and should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of Chancery Law Corporation at 138 Robinson Road, #26-03, Singapore 068906, during normal business hours on any weekday (public holidays excepted) for a period of three (3) months from the date of this announcement:

(a) the Memorandum of Association and Existing Bye-laws of the Company;

(b) the annual report of the Company for FY2023; and

(c) the Valuation Report.

Any Shareholder who wishes to inspect any of the foregoing documents should contact the Company at the email address info@chanceryllc.com at least three (3) working days in advance to make a prior appointment to inspect the document. The Company will arrange a date on

which each Shareholder may come for inspection of the documents accordingly. Shareholders will need to identify themselves by stating his/her/its full name as it appears on his/her/its CDP/CPF/SRS share records, contact number and NRIC/Passport/UEN number and state the manner in which he/she/it holds his/her/its Shares in the Company (e.g. via CDP, CPF or SRS).

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
11 December 2024