FUXING CHINA GROUP LIMITED

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

PROPOSED DISPOSAL OF QINGDAO HONG SHI HIGH TECHNOLOGICAL CO., LTD. ("QINGDAO HONG SHI")

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1. INTRODUCTION

1.1. The Board of Directors (the "**Board**") of Fuxing China Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, Jade Star Group Holdings Limited ("**Jade Star**") has on 4 March 2016 entered into a share transfer agreement (the "**Share Transfer Agreement**") with Cai Chang Cheng (蔡长城) (the "**Purchaser**") to dispose all of its equity interest in its wholly-owned subsidiary, Qingdao Hong Shi (the "**Proposed Disposal**").

1.2. The Purchaser is an independent third party unrelated to any of the Directors and Controlling Shareholders (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") of the Company and its subsidiaries.

2. RATIONALE OF THE PROPOSED DISPOSAL

The Company is of the view that the Proposed Disposal would be beneficial for and in the interests of the Group for the following reasons:-

2.1. Qingdao Hong Shi engages in the production and sale of finished zippers and it has been loss-making since 2008. As at 31 December 2015, it was in a net asset position of RMB 12.4 million. As the main operations of the Group's zipper business are conducted through its other subsidiaries, namely Jinjiang Fookhing Zipper Co., Ltd and Jinjiang Fuxing Dress Co., Ltd, in the Fujian province, the Proposed Disposal is not expected to have a material impact on the Group's core businesses. Accordingly, the Proposed Disposal will allow the Group to dispose of this loss-making business and streamline its structure and business operations.

2.2. The Proposed Disposal will also allow the Group to reallocate its resources to focus on its existing core businesses and any future business opportunity going forward with the aim of enhancing shareholders' value.

2.3. The Proposed Disposal will generate a gain on disposal of approximately RMB 8.6 million. Please refer to Paragraph 6 (Gain on Disposal) of this announcement for further information.

3. THE PROPOSED DISPOSAL

3.1. Principal Terms and Salient Features of the Proposed Disposal:

(1) Disposal Consideration

The aggregate consideration for the Proposed Disposal is RMB 21.0 million (the "**Disposal Consideration**").

The Disposal Consideration shall be paid in full by cash within 30 calendar days after the date of transfer of the shares in Qingdao Hong Shi to the Purchaser.

The Disposal Consideration was arrived at based on arm's length negotiations between Jade Star and the Purchaser and after taking into account the losses of Qingdao Hong Shi as reflected in its financial statements as at 31 December 2015.

(2) Salient Terms of the Share Transfer Agreement

The salient terms of the Share Transfer Agreement comprise, *amongst others*, the following:

(a) Jade Star warrants and represents, *amongst others*, that:

(i) it is duly established and validly existing in law and has the capacity to perform its obligations under the Share Transfer Agreement;

(ii) it owns 100% of the shares in Qingdao Hong Shi;

(iii) the shares in Qingdao Hong Shi are not pledged, securitised or otherwise encumbered, nor are they under any restrictions from any enforcement authorities; and

(iv) all representations provided by Jade Star and Qingdao Hong Shi in respect of Qingdao Hong Shi provided to the Purchaser are true, accurate, complete and there are no omissions of any adverse information.

(b) The Purchaser represents and warrants, *amongst others*, that:

(i) he has obtained the relevant approvals from decision-making bodies for the transfer of the entire shares in Qingdao Hong Shi and has a basic understanding of Qingdao Hong Shi's business; and

(ii) he has sufficient financial resources to pay for the Disposal Consideration.

(c) the Share Transfer Agreement will become effective upon execution and when approvals of the Company's Board and shareholders have been obtained.

(d) the completion of the Proposed Disposal is subject to the following conditions:-

(i) Jade Star and the Purchaser having completed all their obligations under the Share Transfer Agreement and having taken all necessary steps for the Proposed Disposal; and

(ii) the register of shareholders, the articles of association and the business records of Qingdao Hong Shi having been updated to reflect the Purchaser as its sole shareholder.

(e) in the event that any party fails to fulfill its obligations under and in accordance with the terms of the Share Transfer Agreement, the non-defaulting party may demand for compensation of 5% of the Disposal Consideration from the defaulting party for any direct and actual losses that it suffered as a result of such default. The non-defaulting party may also elect to terminate the Share Transfer Agreement.

3.2. Rule 1006 of the SGX-ST Listing Manual

Based on the unaudited financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**") as announced on 24 February 2016, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual of the SGX-ST are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value[(1)]	1.7%
(b)	Net loss[(2)] before tax attributable to the assets to be disposed of, compared with the Group's net loss	40.8%
(c)	Aggregate value of the Disposal Consideration to be received, compared with the Company's market capitalisation on 3 March 2016, being the market day preceding the date of the Share Transfer Agreement[(3)]	99.9%
(d)	Number of equity securities issued by the Company as Disposal Consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
(e)	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 (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)	Not Applicable

Notes:

(1) Under Rule 1002(3)(a), "net assets" means total assets less total liabilities. The Group's net assets were approximately RMB 715.5 million as at 31 December 2015 and the net asset value of Qingdao Hong Shi was approximately RMB 12.4 million as at 31 December 2015.

(2) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items. The Group's net loss before income tax was approximately RMB 13.5 million as at 31 December 2015 and the aggregate net loss attributable to Qingdao Hong Shi was approximately RMB 5.5 million as at 31 December 2015.

(3) This represents the Disposal Consideration as a percentage of the Company's market capitalisation of RMB 21.0 million on 3 March 2016 (based on an exchange rate of S$1.00: RMB 4.6973 on 3 March 2016). "Market capitalisation" is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Share Transfer Agreement.

Based on the relative figures computed above, the Proposed Disposal is a major transaction for the purposes of Chapter 10 of the Listing Manual of the SGX-ST and approval of shareholders of the Company (the "**Shareholders**") is required.

3.3. Valuation of Qingdao Hong Shi

The Company had commissioned Quanzhou Decheng Assets Appraisal Co., Ltd. (泉州德诚资产评估有限责任公司) (the "**Valuer**") to undertake an independent valuation on Qingdao Hong Shi to provide the Shareholders with an opinion of its market valuation.

Based on the said valuation by the Valuer as at 31 December 2015, the market valuation of Qingdao Hong Shi is RMB 20,482,642.22.

The asset-based valuation approach was adopted by the Valuer to appraise the value of Qingdao Hong Shi. Under the asset-based valuation approach, the value of Qingdao Hong Shi was determined by subtracting the appraised value of Qingdao Hong Shi's liabilities from the appraised value of Qingdao Hong Shi's assets based on the balance sheet of the Qingdao Hong Shi as at 31 December 2015.

The Disposal Consideration is approximately RMB 517,357.78 more than the aforesaid market valuation of Qingdao Hong Shi.

3.4. Impact of Proposed Disposal on the Group's businesses

For the financial year ended 31 December 2015, Qingdao Hong Shi contributed approximately 2.6% of the total revenue of the Group and approximately 4.6% of the total revenue attributable to the Group's zipper business segment. For the financial year ended 31 December 2015, the revenue generated from the zipper segment was approximately 56.8% of the Group's total revenue.

Qingdao Hong Shi has been loss-making since 2008. As at 31 December 2015, it was in a net asset position of RMB 12.4 million.

As described in paragraph 2.2 above, the Proposed Disposal will not have any material impact on the core businesses of the Group as the main operations of the Group's zipper business are conducted through its other subsidiaries, namely Jinjiang Fookhing Zipper Co., Ltd and Jinjiang Fuxing Dress Co., Ltd, in the Fujian province. Therefore, it will not result in a material change to the nature of the Group's businesses.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

4.1. The pro forma financial effects of the Proposed Disposal on the Group's share capital, net tangible assets ("**NTA**"), Earnings Per Share ("**EPS**") and gearing ratio are set out below, and have been prepared on the basis that the Proposed Disposal had taken place:

(a) for the purpose of the balance sheet, as at 31 December 2015, being the end of the most recently completed financial year; and

(b) for the purpose of the profit and loss account, from 1 January 2015 being the start of the most recently completed financial year.

The pro forma financial effects of the Proposed Disposal on the NTA and EPS of the Group are purely for illustrative purposes only. The financial effects stated below are neither indicative of the actual financial effects of the Proposed Disposal on the NTA and EPS of the Group nor are they indicative of the financial performance of the Group for FY2015.

(1) Share Capital

As at the date of this announcement, the issued share capital of the Company is S$152,814,000 (equivalent to RMB772,574,000) comprising 17,205,438 Shares. The Proposed Disposal will have no impact on the issued and paid-up share capital of the Company.

(2) EPS

The pro forma financial effects of the Proposed Disposal on the loss per share of the Group for FY2015, assuming that the Proposed Disposal had been effected as at 1 January 2015 are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Net loss after tax (RMB '000)	17,225	8,606
Weighted average number of shares ('000)	17,205	17,205
Loss per share (RMB)	1.0	0.5

(3) NTA

The pro forma financial effects of the Proposed Disposal on the NTA of the Group as at 31 December 2015, assuming that the Proposed Disposal had been effected as at 31 December 2015 are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB)	715,485	724,104
NTA per share (RMB)	41.6	42.1

(4) Gearing

The pro forma financial effects of the Proposed Disposal on the gearing of the Group as at 31 December 2015, assuming that the Proposed Disposal had been effected as at 31 December 2015 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total Debt (RMB '000)	311,755	311,755
Total Equity (RMB '000)	715,490	724,109
Debt to Equity Ratio	0.44	0.43

5. BOOK VALUE

The net book value (the "**NBV**") of the Qingdao Hong Shi is RMB12,380,693 (equivalent to S$2,698,789[(1)]) as at 31 December 2015. The Disposal Consideration represents an excess over the NBV of Qingdao Hong Shi of RMB 8,619,307 (equivalent to approximately S$1,878,868 [(1)]).

Note:

(1) Based on the currency exchange rate of S$1 to RMB4.5875 as at 31 December 2015.

6. GAIN ON DISPOSAL

The Proposed Disposal at the Disposal Consideration will give rise to a gross gain on disposal of RMB 8,619,307 (equivalent to approximately S$1,878,868[(1)]) for the Group.

The gain on disposal was calculated as follows:

Disposal consideration	RMB 21,000,000
Less: Net assets as at 31 December 2015	RMB 12,380,693
Gain on disposal	RMB 8,619,307

Note:

(1) Based on the currency exchange rate of S$1 to RMB 4.5875 as at 31 December 2015.

7. USE OF PROCEEDS

The proceeds from the Proposed Disposal will be deployed to meet the working capital requirements of the Group.

8. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal other than through their respective shareholding interests in the Company.

No Directors are proposed to be appointed to the Company in connection with the Proposed Disposal.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Share Transfer Agreement and the valuation report will be made available for inspection during normal business hours at the office of the Company's Singapore legal advisers, Chancery Law Corporation, at 55 Market Street #08-01 Singapore 048941 for three (3) months from the date of this announcement.

10. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and CEO
4 March 2016