FUXING CHINA GROUP LIMITED (THE "COMPANY")

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

PROPOSED DISPOSAL OF FUXING TEXTILE (SHANGHAI) CO. LTD. ("FUXING SHANGHAI")

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1 INTRODUCTION

1.1 The board of directors (the "**Board**") of Fuxing China Group Limited (the "**Company**") wishes to announce that its wholly-owned subsidiary, Jade Star Group Holdings Limited (the "**Jade Star**") has on 4 July 2013 entered into a share sale transfer agreement ("**Share Transfer Agreement**") with two individuals Qiu Yonghua (邱永华) and Wei Zongying(魏宗英) (collectively referred to as the "**Purchasers**") to dispose all of its equity interest in its wholly-owned subsidiary, Fuxing Shanghai (the "**Proposed Disposa**l").

1.2 The Purchasers are third parties unrelated to any of the Directors and Controlling Shareholders (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) of the Company.

2 RATIONALE FOR PROPOSED DISPOSAL

2.1 Fuxing Shanghai has been loss-making since it was acquired by the Group in 2008. As at 31 December 2012, it is in a net liability position of RMB3,958,000. The Proposed Disposal would therefore allow the Group to dispose of this loss-making business and financial liability and also streamline its Group structure.

2.2 The Proposed Disposal will 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 RMB11 million. Please refer to paragraph 6 (*Gain on Disposal*) below 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 RMB2,416,804 (equivalent to S$501,880 based on the currency exchange of S$1 to RMB4.8155 as at 3 July 2013) (the "**Disposal Consideration**").

The Disposal Consideration shall be paid in full by cash within thirty (30) days of the Purchasers obtaining all the requisite business licences of Fuxing Shanghai re-issued and reflecting the change in equity ownership from Jade Star to the Purchasers.

The Disposal Consideration was arrived at based on arm's length negotiation between the parties involved and after taking into account the net liability position of Fuxing Shanghai and the losses of Fuxing Shanghai as reflected in its financial statements as at 31 December 2012 and 31 May 2013.

(2) Salient Terms of the Provisional S&P Agreement

(i) The Purchasers have warranted and represented that they have the prerequisite and ability to perform all of their obligations under and in accordance with the Share Transfer Agreement.

(ii) At completion of the Proposed Disposal, Qiu Yonghua (邱永华) shall hold 51% and Wei Zongying (魏宗英) 49% of the total equity interests in Fuxing Shanghai.

(iii) Jade Star shall assist and cooperate with the Purchasers in the latter's audit and valuation work to be carried out in respect of Fuxing Shanghai.

(iv) Jade Star shall bear and discharge any liability of Fuxing Shanghai which has arisen prior to the date of the Share Transfer Agreement. The Purchasers shall bear and discharge any liability of Fuxing Shanghai which has arisen after the date of the Share Transfer Agreement.

(v) At legal completion of the Proposed Disposal, the continued employment of the existing employees of Fuxing Shanghai shall be at the discretion of the Purchasers. For existing employees of Fuxing Shanghai whose employment are terminated at the said legal completion, Jade Star shall bear the costs of retrenchment of such employees. The total cost of retrenching all the existing employees of Fuxing Shanghai is estimated to be RMB600,000.

(vi) In the event that any party fails or omits to discharge or fulfill any of its obligations under and in accordance with the terms of Share Transfer Agreement, that defaulting party shall compensate and be liable for any loss and damages suffered by the non-defaulting party as a result of such default.

3.2 Rule 1006 of the SGX-ST Listing Manual

Based on the unaudited financial statements of the Group for the first quarter ended 31 March 2013 as announced on 30 April 2013, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (d) 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)]	(0.52)%
(b)	Net profits/(losses)[(2)] before tax and minority interest attributable to the assets to be disposed of, compared with the Group's net profits/(losses)	9.21%
(c)	Aggregate value of the consideration to be received, compared with the Company's market capitalisation on 3 July 2013, being the market day preceding the date of the Share Transfer Agreement[(3)]	1.27%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable

Notes:

(1) Under Rule 1002(3)(a), "net assets" means total assets less total liabilities. The Group's net assets were approximately RMB940,324,000 as at 31 March 2013 ("1Q2013") and the net liabilities of Fuxing Shanghai were approximately RMB4,896,000 as at 31 March 2013.

(2) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items. The Group's net losses were approximately RMB10,187,000 for the first quarter ended 31 March 2013 ("1Q2013") and the aggregate net losses attributable to Fuxing Shanghai were approximately RMB938,000 for 1Q2013.

(3) This represents the Disposal Consideration as a percentage of the Company's market capitalisation of RMB189,600,000 on 3 July 2013 (based on an exchange rate of S$1.00: RMB4.8155). "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 disclosable transaction for purposes of Chapter 10 of the Listing Manual of the SGX-ST and approval of shareholders of the Company (the "**Shareholders**') is not required.

3.3 Impact of Proposed Disposal on the Group's businesses

Fuxing Shanghai engages in the production and sale of finished zippers. As at 31 December 2012, it contributes to approximately 3% of the total revenue of the Group and approximately 5% of the total revenue attributable to the Group's zipper chain business segment. As at 31 December 2012, revenue generated from the zipper chain business segment forms approximately 62% of the Group's total revenue. Fuxing Shanghai has been loss-making since it was acquired by the Group in 2008. As at 31 December 2012, it has a net liability of RMB3,958,000.

The Proposed Disposal will therefore not have any material impact on the core businesses of the Group and will also not result in a material change to the nature of the Group's businesses.

4 FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Company's consolidated net tangible assets ("**NTA**"), consolidated 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 2012, being the date to which the latest full year audited financial statements of the Company were made up; and

(b) for the purpose of the profit and loss account, from 1 January 2012 being the start of the latest audited financial year.

The pro forma financial effects of the Proposed Disposal on the consolidated NTA and consolidated EPS of the Company 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 consolidated NTA and consolidated EPS of the Company, nor are they indicative of the financial performance of the Company for the financial year ended 31 December 2012 ("**FY2012**").

(1) Share Capital

As at the date of this announcement, the issued share capital of the Company is S$160,435,000 comprising 860,272,000 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 earnings per share of the Company for FY2012, assuming that the Proposed Disposal had been effected as at 1 January 2012 are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Net loss after tax (RMB '000)	(173,276)	(166,901)
Weighted average number of shares ('000)	860,272	860,272
Earnings per Share (RMB cents)	(0.20)	(0.19)

(3) NTA

The pro forma financial effects of the Proposed Disposal on the NTA of the Company as at 31 December 2012, assuming that the Proposed Disposal had been effected as at 31 December 2012 are as follows:-

	Before adjusting for the Proposed Disposal	After adjusting for the Proposed Disposal
NTA (RMB'000)	757,481	763,856
NTA per share (RMB cents)	0.88	0.89

(4) Gearing

The pro forma financial effects of the Proposed Disposal on the gearing of the Company for FY2012, assuming that the Proposed Disposal had been effected as at 31 December 2012 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total Debt (RMB '000)	117,356	105,356
Total Equity (RMB '000)	950,718	957,093
Debt to Equity Ratio	0.12	0.11

5 BOOK VALUE

The net book value ("**NBV**") of Fuxing Shanghai is approximately RMB(3,958,000) (equivalent to S$(777,000)[(1)]) as at 31 December 2012. The Disposal Consideration represents an excess over the NBV of Fuxing Shanghai of RMB6,375,000 (equivalent to S$1,252,000 [(1)]).

Note:
(1) Based on the currency exchange rate of S$1 to RMB5.0929 as at 31 December 2012

6 GAIN ON DISPOSAL

The Proposed Disposal at the Disposal Consideration will give rise to a gross gain on disposal of RMB 11,077,813 (equivalent to S$2,300,449[(1)]) for the Group.

The Gain on disposal was calculated as follows:

Consideration on disposal	RMB2,416,804
Add: Net liabilities as at 31 May 2013	RMB8,661,009
Gain on disposal	RMB11,077,813

Note:
(1) Based on the currency exchange rate of S$1 to RMB4.8155 as at 3 July 2013

7 USE OF PROCEEDS

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

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 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 advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman and CEO
5 July 2013