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

PROPOSED CAPITAL REORGANISATION

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1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Fuxing China Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing to undertake a reorganisation of its share capital to, *inter alia*, reduce the par value of each ordinary share in the capital of the Company (each, a "**Share**" and collectively, the "**Shares**") from S$5.00 to S$0.10 (the "**Proposed Capital Reorganisation**").

1.2 The Proposed Capital Reorganisation is subject to, *inter alia*, the approval of the shareholders of the Company (the "**Shareholders**"), which will be sought at a special general meeting of the Company ("**SGM**") to be convened. A circular to the Shareholders containing further information on the Proposed Capital Reorganisation and, together with the notice of the SGM, will be despatched to the Shareholders in due course.

2. OVERVIEW OF THE PROPOSED CAPITAL REORGANISATION

2.1 Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount which is less than the par value of the shares. As at the date of this announcement, the authorised share capital of the Company is S$200,000,000 divided into 40,000,000 Shares of a par value of S$5.00 each, of which 17,205,438 Shares of a par value of S$5.00 each have been issued and are fully paid-up or credited as fully paid.

2.2 Bye-law 6 of the bye-laws of the Company ("**Bye-laws**") provides that the Company may, from time to time, by special resolution (as defined in Bye-laws), subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

2.3 The Directors intend to convene an SGM to seek Shareholders' approval for the Proposed Capital Reorganisation to, *inter alia*, reduce the par value of each Share from S$5.00 to S$0.10.

3. RATIONALE FOR THE PROPOSED CAPITAL REORGANISATION

3.1 The closing prices of the Shares ranged between S$0.200 and S$0.550 during the six (6) months prior to the date of this announcement with a volume weighted average price of approximately S$0.386, which is below the existing par value of its Shares of S$5.00.

3.2 The concept of par value is applicable to the Company as it is a company incorporated in Bermuda, which (unlike certain other jurisdictions such as Singapore) have yet to abolish this concept. Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount which is less than the par value of the shares. The Proposed Capital Reorganisation will provide the Company with greater flexibility to issue new Shares with a par value of S$0.10

each at an issue price closer to its volume weighted average price in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares, such as a rights issue or placement. Additionally, the Proposed Capital Reorganisation will help to facilitate the Company to carry out the proposed issue of an aggregate of 3,400,000 new ordinary shares in the capital of the Company for an aggregate consideration of S$860,200 to the subscribers as disclosed in the announcements released by the Company on SGXNet dated 18 January 2024, 5 February 2024 and 15 February 2024.

3.3 The amount of credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company. Any credit balance in the contributed surplus account of the Company may, as long as the Company is solvent, be applied in such manner as the Directors may determine in accordance with the Bye-laws and all applicable laws. The credit balance will provide the Company with greater flexibility in relation to future distributions, if any, out of contributed surplus. Shareholders should note that whether or not the Company will make a distribution out of contributed surplus and the timing and amount of any distribution to be paid will depend on the Company's earnings, financial position including cash flow position, future capital requirements, future plans and other relevant factors. Shareholders should note that as at the date of this Circular, there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.

3.4 The Directors are therefore of the view that the Proposed Capital Reorganisation will mitigate the limitations generally associated with the concept of par value and provide the Company with greater flexibility on its future capital structure to enable the Company to take advantage of opportunities as and when they arise.

4. DETAILS OF THE PROPOSED CAPITAL REORGANISATION

The Proposed Capital Reorganisation will involve the following:

(a) the reduction of the issued and paid-up share capital of the Company of a sum of S$84,306,646.20 (the "**Capital Reduction**"), by the cancellation of the paid-up share capital of the Company to the extent of S$4.90 on each of the Shares with a par value of S$5.00 in issue on the effective date of the Proposed Capital Reorganisation ("**Proposed Capital Reorganisation Effective Date**") so that each issued Share with a par value of S$5.00 shall be treated as one (1) fully paid Share with a par value of S$0.10 as at the Proposed Capital Reorganisation Effective Date, and any liability of the holder of such Shares to make any further contribution to the share capital of the Company on each such Share shall be treated as satisfied. As at the date of this announcement, all issued Shares in the capital of the Company have been fully paid-up;

(b) subject to and forthwith upon the Capital Reduction taking effect, the cancellation of all of the authorised but unissued Shares with a par value of S$5.00 each in the share capital of the Company (which shall include, without limitation, the authorised but unissued share capital resulting from the Capital Reduction) and the diminution of the authorised share capital of the Company of S$200,000,000 by S$198,279,456.20 representing the amount of Shares so cancelled (the "**Authorised Capital Diminution**"), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased from S$1,720,543.80 divided into

17,205,438 Shares of a par value of S$0.10 each to S$200,000,000 divided into 2,000,000,000 Shares of a par value of S$0.10 each by the creation of 1,982,794,562 Shares with a par value of S$0.10 each (representing the difference between 2,000,000,000 Shares with a par value of S$0.10 each and the number of Shares with a par value of S$0.10 each in issue after the Capital Reduction) (the "**Authorised Capital Increase**"), as it is not intended for the par value reduction to lead to a reduction in the authorised share capital, which is currently S$200,000,000;

(c) the share premium account of the Company be reduced from S$57,167,017 to zero by cancelling the entire sum of S$57,167,017 standing to the credit of the share premium account as at the date of this announcement (the "**Share Premium Reduction**");

(d) subject to and forthwith upon the Capital Reduction and the Share Premium Reduction taking effect, the amount of credit arising from the Capital Reduction in the sum of S$84,306,646 (equivalent to approximately RMB454,858,645) and the amount of credit arising from the Share Premium Reduction in the sum of S$57,167,017 (equivalent to approximately RMB308,432,526) be credited to the contributed surplus account of the Company (the "**Crediting of Contributed Surplus**"); and

(e) the authorisation of the Directors to utilise any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws.

5. EFFECTS OF THE PROPOSED CAPITAL REORGANISATION

Upon the Proposed Capital Reorganisation taking effect on the Proposed Capital Reorganisation Effective Date:

(a) the par value of each issued and unissued Share will be reduced from S$5.00 to S$0.10;

(b) the authorised share capital will remain unchanged at S$200,000,000, but will be divided into 2,000,000,000 Shares with a par value of S$0.10 each, instead of 40,000,000 Shares with a par value of S$5.00 each;

(c) the issued and paid-up share capital (based on the number of issued Shares as at the date of this announcement) will be reduced by S$84,306,646.20 from S$86,027,190 to S$1,720,543.80 divided into 17,205,438 Shares with a par value of S$0.10 each. The number of issued Shares will remain unchanged at 17,205,438 Shares;

(d) the share premium account of the Company will be reduced from S$57,167,017 to zero; and

(e) the contributed surplus account of the Company will be increased from zero to S$111,684,522.

Upon the Proposed Capital Reorganisation becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of, each Shareholder or Depositor as a result of the Proposed Capital Reorganisation. The Shares with a par value of S$0.10 each will rank pari passu in all respects with each other. Other than the

costs and expenses incurred in relation to the Proposed Capital Reorganisation which are not expected to have any material effect on the financial position of the Group, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company. The Proposed Capital Reorganisation will not involve the diminution of any liability in respect of any unpaid capital or the payment to any Shareholders of cash or any paid-up share capital of the Company. The amount of credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company.

6. CONDITIONS OF THE PROPOSED CAPITAL REORGANISATION

The implementation of the Proposed Capital Reorganisation is subject to, inter alia, the following:

(a) the approval by the Shareholders of the Proposed Capital Reorganisation by way of a special resolution (as defined in the Bye-laws) at the SGM, i.e. the Proposed Capital Reorganisation has to be approved by a resolution passed by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, present and voting at the SGM (either voting in person or by duly authorised corporate representative or by proxy);

(b) compliance with the relevant legal procedures and requirements under Bermuda laws to effect the Proposed Capital Reorganisation; and

(c) the receipt of all necessary approvals (if any) from the regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

Section 46(2) of the Companies Act 1981 of Bermuda provides that no company shall reduce the amount of its share capital if, on the date the reduction is to be effected, there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.

7. ADDITIONAL LISTING APPLICATION

As the Proposed Capital Reorganisation is subject to, *amongst others*, the receipt of the LQN of the SGX-ST for the listing of, and permission to deal in, the 17,205,438 Shares with a par value of S$0.10 each arising from the Proposed Capital Reorganisation on the Main Board of the SGX-ST, the Company will be submitting an application to the SGX-ST for the listing and quotation of such Shares on the Main Board of the SGX-ST. An appropriate announcement will be made in due course to notify shareholders of the Company when the LQN is obtained.

8. FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REORGANISATION

The illustrative financial effects of the Proposed Capital Reorganisation on the Group based on the audited financial statements of the Group for FY2022 are set out below.

The financial effects set out below are set out solely for illustrative purposes and may not give a true picture of the financial effects of the Proposed Capital Reorganisation. Such financial effects are based primarily on the following assumptions:

(i) the financial effects on the consolidated net tangible assets ("**NTA**") per Share of the Group and the gearing of the Group is computed on the assumption that the Proposed Capital Reorganisation were completed on 31 December 2022;

(ii) the financial effects on the earning per share ("**EPS**") of the Group is computed on the assumption that the Proposed Capital Reorganisation were completed on 1 January 2022;

(iii) exchange rate of S$1.00 : RMB5.3953 as at 12 March 2024 (as extracted from Bloomberg L.P); and

(iv) no additional Shares are issued by the Company.

8.1 Share Capital

Based on the assumptions set out above, the effect of the Proposed Capital Reorganisation on the issued and paid-up share capital of the Company would have been as set out below:

	Before the Proposed Capital Reorganisation	**After the Proposed Capital Reorganisation**
Share Capital (RMB'000)	772,574	9,283
Number of issued Shares (excluding treasury shares)	17,205,438	17,205,438

8.2 Net Tangible Assets per Share

Based on the assumptions set out above, the effect of the Proposed Capital Reorganisation on the consolidated NTA per Share of the Group are set out below:

	Before the Proposed Capital Reorganisation	**After the Proposed Capital Reorganisation**
NTA of the Group (RMB'000)	586,203	586,203
Number of issued Shares (excluding treasury shares)	17,205,438	17,205,438
NTA per Share (RMB)	34.07	34.07

8.3 Earnings per Share

Based on the assumptions set out above, the financial effects on the EPS of the Group are set out below:

	Before the Proposed Capital Reorganisation	After the Proposed Capital Reorganisation
Number of issued Shares (excluding treasury shares)	17,205,438	17,205,438
Earnings attributable to Shareholders (RMB'000)	1.65	1.65

8.4 Gearing

Based on the assumptions set out above, the financial effects on the gearing of the Group are set out below:

	Before the Proposed Capital Reorganisation	After the Proposed Capital Reorganisation
Total Borrowings of the Group (RMB'000)	136,800	136,800
Shareholders' Equity (RMB'000)	586,203	586,203
Gearing Ratio	0.23	0.23

9. EFFECTIVE DATE OF THE CAPITAL REORGANISATION

Subject to the approval of the Shareholders for the Proposed Capital Reorganisation by way of a special resolution being duly passed at the SGM as mentioned above, an announcement will be made by the Company to confirm the effective date.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for their respective shareholdings in the Company, none of the Directors has any interest, direct or indirect, in the Proposed Capital Reorganisation. To the best of the knowledge of the Directors, none of the substantial Shareholders has any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company).

11. CIRCULAR TO SHAREHOLDERS

Further details of the Proposed Capital Reorganisation, among others, will be announced and/or included in the circular to be despatched to Shareholders. The circular will also enclose the notice of the SGM for the Proposed Capital Reorganisation, among others.

FOR AND ON BEHALF OF THE BOARD

Hong Qing Liang
Executive Chairman
14 March 2024