FUXING CHINA GROUP LIMITED

(Incorporated in Bermuda)

(Company Registration No.: 38973)

MATERIAL VARIANCES BETWEEN AUDITED FINANCIAL STATEMENTS AND UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “Board”) of Fuxing China Group Limited (“Fuxing China” or together with its subsidiaries, the “Group”) refers to its audited financial statements for the financial year ended 31 December 2022 in the Group’s Annual Report 2022 (the “**Audited Financial Statements**”) and the announcement on the Unaudited Financial Statements and Dividend Announcement for the Financial Year Ended 31 December 2022 made on 1 March 2023 (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Board wishes to announce and explain the material variances between the Audited Financial Statements and the Unaudited Financial Statements.

1) Statements of Financial Position of the Group as at 31 December 2022

The material variances between the Group’s Audited Financial Statements and the Unaudited Financial Statements is set out below:

	Audited Financial Statements RMB’000	**Unaudited Financial Statements RMB’000**	**Variance RMB’000**
Total equity	586,203	559,463	26,740
-*Statement of changes in equity*:			
Accumulated losses			
Balance at 1 January 2022	(187,222)	(213,962)	(26,740)
Balance at 31 December 2022	(160,721)	(187,461)	(26,740)
Current liabilities	361,152	387,892	(26,740)
-Other liabilities	81,262	108,002	(26,740)

The variance in total equity of RMB26.74 million at 31 December 2022 was attributable to the variance in accumulated losses at 31 December 2022. The variance in accumulated losses at 31 December 2022 was due to the reduction of accumulated losses at 1 January 2022 of RMB26.74 million arising from the prior year adjustment as explained on page 110 in the Group’s Annual Report 2022 (under note 34(b) to the financial statements). Due to the reduction of the accumulated losses, total equity per Audited Financial Statements increased by RMB26.74 million when compared to Unaudited Financial Statements.

The reduction in accumulated losses arose from the reduction of RMB26.74 million in advances from customers under prior year adjustment explained below. Accordingly, other liabilities under current liabilities per Audited Financial Statements reduced by RMB26.74 million when compared to Unaudited Financial Statements.

Prior year adjustment: advances from customers

Advances from customers represent prepayments received from customers for goods that are yet to be delivered. The advances from customers are recognized as a liability on the statement of financial position until the related goods are delivered.

In FY2022, advances from customers amounting to RMB 26,740,000 have past due for more than 3 to 10 years. As stipulated by the general statute of limitation under the PRC General Rules of Civil Law, claims arising from contracts are subject to a standard limitation period of three years, beyond which no further claims may be pursued against the Group.

The Group had published a notice of creditors in major newspapers on 8 April 2023. The notice notified customers whose upfront payments had exceeded the three-year limitation period to come forward and make a claim against the Group within 30 days of the publication date. No claim has been made against the Group with regards to advances from customers that have exceeded the three-year limitation period. Consequently, the advances from customers exceeding three years do not meet the criteria to be recognised as a liability in accordance with the *SFRS (I) Conceptual Framework for Financial Reporting*.

Given that the advances from customers exceeding three years were carried forward from several years prior, the management was unable to determine whether the advances from customers exceeding three years arose from an accounting error whereby such payments were not being offset against trade receivables at the time of revenue recognition or for goods that are yet to be delivered without incurring undue costs.

In view that majority of this balance pertains to advances from customers exceeding ten years, the management decided to correct the material prior period's error identified above retrospectively by restating the comparative amounts for the prior period's statement of financial position in accordance with *SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors*.

The prior year adjustments, to the extent that they are applied retrospectively, have the following impact:

	As reported RMB'000	Prior year adjustments RMB'000	As restated RMB'000
At 1 January 2022			
Other liabilities	112,046	**(26,740)**	85,306
Accumulated losses	(213,962)	**26,740**	(187,222)

2) Cash Flow Statement of the Group as at 31 December 2022

The material variance between the Group's Audited Financial Statements and the Unaudited Financial Statements is set out below:

	Audited Financial Statements RMB'000	Unaudited Financial Statement RMB'000	Variance RMB'000	Note
Net cash flows generated from operating activities	52,099	50,409	1,690	1
Changes in working capital:				
-Prepayments	21,939	20,437	1,502	2
Net cash flows used in investing activities	(32,376)	(30,686)	(1,690)	
-Purchase of property, plant and equipment	(37,603)	(35,913)	(1,690)	2

Notes:

(1) The variance in net cash flows generated from operating activities was mainly due to the variance in prepayments under changes in working capital.

(2) The variance in net cash flows used in investing activities arose from the variance in the purchase of property, plant and equipment was mainly due to the recognition of the prepayment made for purchase of property, plant and equipment.

BY ORDER OF THE BOARD

Hong Qing Liang
Executive Chairman

22 August 2023