

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The operations of our Company and our subsidiaries (“our Group”) are principally conducted in the People’s Republic of China (“PRC”). Accordingly, our consolidated financial statements have been prepared in Chinese Renminbi (“RMB”), being the functional currency of our Group.

**STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015 (in RMB)**

(RMB '000)	Third Quarter		Change %	Nine Months		Change %
	Unaudited 2015	Unaudited 2014		Unaudited 2015	Unaudited 2014	
Revenue	32,317	217,553	(85.1)	191,160	614,511	(68.9)
Cost of sales	(28,213)	(174,281)	(83.8)	(156,040)	(493,903)	(68.4)
Gross profit	4,104	43,272	(90.5)	35,120	120,608	(70.9)
Other operating income	106	950	(88.8)	675	2,947	(77.1)
Selling and distribution expenses	(74,577)	(10,842)	587.9	(87,969)	(33,194)	165.0
Administrative expenses	(197,912)	(5,585)	3,443.6	(508,730)	(17,066)	2,881.0
Finance costs	(1,899)	(1,995)	(4.8)	(5,383)	(5,838)	(7.8)
(Loss)/Profit before income tax	(270,178)	25,800	1,147.2	(566,287)	67,457	939.5
Taxation	-	(6,622)	100.0	-	(17,525)	(100.0)
(Loss)/Profit for the period	(270,178)	19,178	1,508.8	(566,287)	49,932	1,234.1
Gross profit margin	12.7%	19.9%		18.4%	19.6%	
Profit before income tax margin	-836.0%	11.9%		-296.2%	11.0%	
Net profit margin	-836.0%	8.8%		-296.2%	8.1%	

STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2015 (in RMB)

(RMB '000)	Third Quarter		Change	Nine Months		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2015	2014	%	2015	2014	%
(Loss)/Profit for the period	(270,178)	19,178	1,508.8	(566,287)	49,932	1,234.1
Other comprehensive income for the period	(48)	200	(124.0)	(174)	(216)	(19.4)
Total comprehensive income for the period	(270,226)	19,378	1,494.5	(566,461)	49,716	1,239.4

## 1(a)(ii) Other Information

Our Group's profit before income tax is arrived at after (charging)/crediting the following:

(RMB '000)	Third Quarter		Change %	Nine Months		Change %
	2015	2014		2015	2014	
(a) Income statement includes the following:						
Interest paid on borrowings	(1,848)	(1,995)	(7.4)	(5,332)	(5,838)	(8.7)
Depreciation of property, plant and equipment	(2,677)	(2,690)	(0.5)	(8,031)	(9,011)	(10.9)
Amortisation of land use rights	(91)	(91)	-	(273)	(273)	-
Amortisation of intangible assets	(143)	(143)	-	(428)	(428)	-
Impairment loss on trade receivables	(188,378)	-	100.0	(487,378)	-	100.0
Lease payments under operating lease for leasehold buildings	-	-	-	(480)	(480)	-
Salaries and related costs						
- Director remuneration	(582)	(582)	-	(1,751)	(1,751)	-
- Key personnel	(280)	(280)	-	(905)	(905)	-
Exchange (loss)/gain	(131)	(234)	(44.0)	54	275	(80.4)
(b) Other operating income comprises mainly						
Interest income	106	1,133	(90.6)	490	2,621	(81.3)

**1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

**Statement of Financial Position**

(RMB '000)	Group	Group	Company	Company
	Unaudited As at 30/9/2015	Audited As at 31/12/2014	Unaudited As at 30/9/2015	Audited As at 31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	105,718	113,749	1	13
Land use rights/Intangible assets	16,370	17,070	-	-
Deferred tax asset	44,244	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>166,332</u>	<u>175,063</u>	<u>459,987</u>	<u>459,999</u>
<b>Current assets</b>				
Inventories	15,572	26,111	-	-
Amount due from subsidiary	-	-	90,047	90,018
Trade receivables	60,117	429,904	-	-
Prepayments, other receivables and deposits	148,319	120,691	9	10
Pledged bank deposits	35,163	45,875	-	-
Cash and cash equivalents	157,723	532,506	16	19
	<u>416,894</u>	<u>1,155,087</u>	<u>90,072</u>	<u>90,047</u>
<b>Less: Current liabilities</b>				
Trade and bills payables	17,664	147,534	-	-
Amount owing to director	8,013	5,487	3,822	3,158
Accrued liabilities and other payables	61,598	62,517	4,317	3,969
Amount due to a subsidiary	-	-	23,675	22,854
Interest-bearing bank borrowings	22,500	74,700	-	-
	<u>109,775</u>	<u>290,238</u>	<u>31,814</u>	<u>29,981</u>
<b>Net current assets</b>	<u>307,119</u>	<u>864,849</u>	<u>58,258</u>	<u>60,066</u>
<b>Non current liability</b>				
Deferred tax liabilities	7,377	7,377	-	-
	<u>7,377</u>	<u>7,377</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>466,074</u>	<u>1,032,535</u>	<u>518,245</u>	<u>520,065</u>
<b>Share capital and reserves</b>				
Share capital	36,570	36,570	36,570	36,570
Share premium	560,135	560,135	560,135	560,135
Treasury shares	(226)	(226)	(226)	(226)
Merger reserves	801	801	-	-
Statutory reserves	87,938	87,938	-	-
Paid-in capital from exchange differences	330	330	330	330
Exchange reserves	3,311	3,485	3,771	3,829
Retained earnings	(222,785)	343,502	(82,335)	(80,573)
<b>Shareholders' equity</b>	<u>466,074</u>	<u>1,032,535</u>	<u>518,245</u>	<u>520,065</u>
<b>Total equity</b>	<u>466,074</u>	<u>1,032,535</u>	<u>518,245</u>	<u>520,065</u>

	Unaudited RMB'000 30/9/2015	Audited RMB'000 31/12/2014
Inventory turnover (days)	27	15
Trade receivable (days)	86	217

### 1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

#### Amount repayable in one year or less, or on demand

	As at 30/9/2015		As at 31/12/2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	91,750	-
Interest-bearing loans	22,500	-	74,700	-
	<u>22,500</u>	<u>-</u>	<u>166,450</u>	<u>-</u>

#### Amount repayable after one year

	As at 30/9/2015		As at 31/12/2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Details of any collateral

The interest-bearing loan for our subsidiary, Hengfa (Fujian) Light Industry Development Co., Ltd. ("**Hengfa**"), as at 30 September 2015 and 31 December 2014 are secured by the land use rights and buildings of Hengfa. The bills payable as at 31 December 2014 are also guaranteed by bank deposits.

The interest-bearing loan for our subsidiary, YELI Sports (China) Co., Ltd. ("**YELI China**"), as at 30 September 2015 and as at 31 December 2014 are also secured by the land use rights and buildings of Hengfa. The bills payable as at 31 December 2014 are also guaranteed by bank deposits.

Mr Lin Shaoxiong and Mr Lin Yongjian (Mr Lin Shaoxiong's and Mr Lin Shaoqin's father, and a director of Hengfa) have jointly provided a personal guarantee to secure our banking facility. We have not paid either of them any form of consideration for the provision of the personal guarantee.

Mr Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. We have not paid him any form of consideration for the provision of the personal guarantee.

**21(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

(RMB '000)	Unaudited 2015	Unaudited 2014	Unaudited 2015	Unaudited 2014
<b>Cashflows from operating activities</b>				
(Loss)/Profit before income tax	(270,178)	25,800	(566,287)	67,457
Adjustments for:				
Interest income	(106)	(1,133)	(490)	(2,621)
Depreciation of property, plant and equipment	2,677	2,690	8,031	9,011
Amortisation of land use rights/intangible assets	234	234	701	701
Impairment loss on trade receivables	188,378	-	487,378	-
Interest expenses	1,848	1,995	5,332	5,838
Exchange difference in translation	46	208	(306)	(362)
Operating profit before working capital changes	(77,101)	29,794	(65,641)	80,024
Decrease/ (increase) in inventories	3,180	1,565	10,538	997
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	1,076	(45,750)	(145,219)	(29,954)
Increase/(decrease) in trade payables and bill payables	(17,520)	(27,288)	(129,870)	11,311
Increase / (decrease) in accrued liabilities and other payable	(1,216)	8,953	(919)	(11,467)
Cash (used in) / from operations	(91,581)	(32,726)	(331,111)	50,911
Interest received	106	1,133	490	2,621
Interest paid	(1,848)	(1,995)	(5,332)	(5,838)
Income tax paid	-	-	-	-
<b>Net cash (used in) / from operating activities</b>	<b>(93,323)</b>	<b>(33,588)</b>	<b>(335,953)</b>	<b>47,694</b>
<b>Cashflows from investing activities</b>				
Refund of Investments	-	-	-	43,713
Purchases of property, plant and equipment	-	(107)	-	(132)
<b>Net cash (used in) / from investing activities</b>	<b>-</b>	<b>(107)</b>	<b>-</b>	<b>43,581</b>
<b>Cashflows from financing activities</b>				
Increase / (decrease) in amount owing to director	974	289	2,526	173
Proceeds from bank loans	-	37,800	22,500	101,400
Repayment of bank loans	-	(38,600)	(74,700)	(102,600)
Increase / (decrease) in pledged deposits	-	5,190	10,712	(34,870)
<b>Net cash from / (used in) financing activities</b>	<b>974</b>	<b>4,679</b>	<b>(38,962)</b>	<b>(35,897)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(92,349)</b>	<b>(29,016)</b>	<b>(374,915)</b>	<b>55,378</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>250,166</b>	<b>778,868</b>	<b>532,506</b>	<b>694,301</b>
<b>Effects of exchange rate fluctuation</b>	<b>(94)</b>	<b>(21)</b>	<b>132</b>	<b>152</b>
<b>Cash and cash equivalents at end of period</b>	<b>157,723</b>	<b>749,831</b>	<b>157,723</b>	<b>749,831</b>

(RMB '000)	Third Quarter		Nine Months	
	Unaudited 2015	Unaudited 2014	Unaudited 2015	Unaudited 2014

**Analysis of the balances of cash and cash equivalents**

Cash and bank balances	157,723	749,831	157,723	749,831
Cash and cash equivalents per share (Cents)	16.40	77.98	16.40	77.98
Number of shares at balance sheet date	961,538,000	961,538,000	961,538,000	961,538,000

**1(d)(i) A statement (for the Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

(RMB '000)	Share Capital	Share Premium	Treasury Shares	Merger Reserves	Paid-in capital from exchange differences	Currency translation reserve	Statutory Reserve	Retained Profits/ (Accumulated Loss)	Total
<b>Group</b>									
At 1 January 2014	36,570	560,135	(226)	801	330	3,903	87,938	332,904	1,022,355
Total comprehensive income for the period	-	-	-	-	-	(418)	-	10,598	10,180
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
At 31 December 2014	36,570	560,135	(226)	801	330	3,485	87,938	343,502	1,032,535
At 1 January 2015	36,570	560,135	(226)	801	330	3,485	87,938	343,502	1,032,535
Total comprehensive income for the year	-	-	-	-	-	(174)	-	(566,287)	(566,461)
At 30 September 2015	36,570	560,135	(226)	801	330	3,311	87,938	(22,785)	466,074
<b>Company</b>									
At 1 January 2014	36,570	560,135	(226)	-	330	-	-	(70,735)	526,074
Total comprehensive income for the period	-	-	-	-	-	-	-	(6,009)	(6,009)
At 31 December 2014	36,570	560,135	(226)	-	330	-	-	(76,744)	520,065
At 1 January 2015	36,570	560,135	(226)	-	330	-	-	(76,744)	520,065
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,820)	(1,820)
At 30 September 2015	36,570	560,135	(226)	-	330	-	-	(78,564)	518,245

**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no new shares issued in the nine months ended 30 September 2015 and no outstanding convertibles held as at 30 September 2015.

**Treasury shares**

Our Company did not make any purchase of our shares during the third quarter ended 30 September 2015. As at 30 September 2015, our Company holds 587,000 treasury shares (30 September 2014: 587,000).

	Company 30 Sept 2015	30 Sept 2014	Company 30 Sept 2015	30 Sept 2014
	Number of shares		RMB '000	
<b>Issued and fully paid</b>				
At beginning of period	587,000	587,000	226	226
Acquired during period	-	-	-	-
At end of period	587,000	587,000	226	226

**1(d)(iii) To show the total number of issued shares (excluding treasury shares) as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares (excluding treasury shares) as at 30 September 2015 and as at 31 December 2014 is 961,538,000 fully-paid ordinary shares of par value HK\$0.04 each.

**1(d)(iv) A statement showing all sales, transfers disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and use of treasury shares during the six months ended 30 September 2015.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by our Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Our Group has applied the same accounting policies and methods of computations for the current reporting period consistent with those of the most recent audited financial statement as at 31 December 2014.

The new and revised Financial Reporting Standards which took effect from the current financial year are now assessed to have no material impact to the results or the opening balances of the accumulated profit of our Group and of our Company for the year ending 31 December 2014.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in accounting policies and methods of computation.

**6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Third Quarter		Nine Months	
	2015	2014	2015	2014
(Loss)/Profit after income tax (RMB'000)	(270,178)	19,178	(566,287)	49,932
Basic (loss)/ earnings per share (RMB cents)	(28.10)	1.99	(58.89)	5.19
Diluted (loss)/earnings per share (RMB cents)	(28.10)	1.99	(58.89)	5.19

The basic (loss)/ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during third quarter ended 30 September 2015 and the nine months ended 30 September 2015, which were 961,538,000 and 961,538,000 shares, respectively. The weighted average ordinary shares for the third quarter ended 30 September 2014 and nine months ended 30 September 2014 were 961,538,000 and 961,538,000 shares, respectively.

There is no difference between the basic and diluted earnings per share.

**7. Net asset value (for the Group and the Company) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

**(a) current financial period reported on; and**

**(b) immediately preceding financial year.**

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2015	As at 31 Dec 2014	As at 30 Sept 2015	As at 31 Dec 2014
Net asset value as at the end of the respective period (RMB'000)	466,074	1,032,535	518,245	520,065
Total number of issued ordinary share at the end of financial period/year	961,538,000	961,538,000	961,538,000	961,538,000
Net asset value per share (RMB cents)	48.47	107.38	53.90	54.71

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**

**(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**Commentary on Financial Results**

**Revenue**

For the three months ended 30 September 2015 ("3Q 15"), our Group recorded revenue of approximately RMB 32.3 million, a decrease of approximately RMB 185.2 million or 85% over revenue of approximately RMB 217.5 million for the previous corresponding period ("3Q 14"). For the nine months ended 30 September 2015, ("9M 15"), revenue decreased by approximately RMB 423.4 million or 69% to approximately RMB 191.2 million from approximately RMB 614.5 million in the previous corresponding period ("9M 14").

The decrease in revenue in 9M 15 and 3Q 15 were mainly attributable to the persistent and increasing competition in the sportswear industry. Our distributors continued to be weary of the intensified competition and became even more prudent in placing their orders for footwear and apparel products, which has affected the overall footwear revenue in 9M 15 and 3Q 15. Moreover, there is no enhanced features and functionality of our products, thus making it harder to entice the distributors.

### *Breakdown of revenue by business lines*

(RMB million)	3Q 15	%	3Q 14	%	9M 15	%	9M 14	%
Footwear	32.3	100	203	93.3	191.2	100.0	573.7	93.4
Apparel	-	-	14.6	6.7	-	-	40.8	6.6
Total Revenue	32.3	100	217.6	100.0	191.2	100.0	614.5	100.0

### *Breakdown of footwear revenue by segment*

(RMB million)	3Q 15	%	3Q 14	%	9M 15	%	9M 14	%
YELI footwear	19.6	60.7	147.4	72.6	116.6	61.0	424.5	74.0
OEM footwear	12.7	39.3	55.6	27.4	74.6	39.0	149.2	26.0
Total footwear	32.3	100.0	203.0	100.0	191.2	100.0	573.7	100.0

### **Footwear**

In 9M 15, footwear products recorded approximately RMB 191.2 million in sales, representing a decrease of approximately RMB 382.5 million or approximately 66.7% over sales of footwear products of approximately RMB 573.7 million in 9M14.

The decreases in revenue in 9M 15 and 3Q 15 were mainly attributable to the decrease in both Yeli and OEM footwear revenue. The poor economic outlook and no enhanced features and functionality of our products resulted in lesser orders being placed by our distributors. In view of the persistent weakening retail sportswear market and of intensified price competition, our distributors have also closed down the sales outlet by half as compared to 9M 14.

In 9M 15, our Yeli footwear sales was approximately RMB 116.6 million which represented 61% of our Yeli revenue and of our total revenue as compared to 74% and 93.4% of our YELI revenue and of our total revenue in 9M 14.

In 3Q 15, our Group recorded Yeli footwear revenue of approximately RMB 19.6 million, a decrease of approximately RMB 127.8 million or 86.7% over revenue of approximately RMB 147.4 million in 3Q 14.

The decrease in OEM footwear revenue in 9M 15 was mainly attributable to decreased orders from our existing customers and weaker consumer demand in oversea market. We continued to pursue our strategy of selectively accepting higher margin orders from our existing OEM customers. Despite of us consistently maintaining the quality of our OEM products, we saw lesser orders from existing OEM customers due to the intensified competition in the sportswear industry. There was a decrease in OEM footwear revenue contribution in 9M 15 and 3Q 15 from approximately RMB 149.2 million to RMB 74.6 million and from approximately RMB 55.6 million to RMB 12.7 million respectively .

### **Apparel**

In 9M 15 and 3Q 15, our Group recorded no apparel revenue as compared to 9M 14 and 3Q 14 and this is a decrease of approximately RMB 40.8 million and RMB 14.6 million respectively. This resulted from our strategic decision to discontinue our Yeli apparel business in 2015.

*Number of sales outlets for our YELI products in the PRC:*

	9M 15	9M 14	Growth
Points-of-sale	Over 340*	Over 1135*	(70)%
YELI specialty stores	Over 55	Over 180	(69)%

\* The above numbers of points-of-sale were compiled by aggregating the number of sales outlets provided to us by each of our distributors. The points-of-sale include YELI specialty stores.

The distribution network for our YELI products in PRC decreased by approximately 70% from over 1,135 points of sale as at 30 September 2014 to over 340 point of sale as at 30 September 2015. Over the same period, the number of specialty stores decreased by 69% from over 180 to over 55. Our Group will continue to execute our strategy to improve the mix of our points of sale.

Due to the poor market economic outlook and weak response to our YELI breathable shoes, our Group's distributors have since closed down majority sales counters and shops-in-shops in various first-tier and second-tier cities. At the same time, points of sales in third- and fourth-tier cities have also decreased. Decreased presence of our brand in first- and second-tier cities has eroded brand awareness of YELI. In view of the rising costs in running a YELI specialty store, our Group has encouraged our distributors to reduce the number of YELI specialty stores so that they can preserve and focus their resources to work with our Group in the change in the product positioning and vary the product line-up with greater emphasis on breathable shoes. Our Group has subsidised the distributors in regards of restoration cost incurred by them.

**Cost of goods sold and gross profit margin**

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 337.8 million or 68% from approximately RMB 493.9 million in 9M14 to approximately RMB 156 million in 9M15.

In line with the revenue decrease in 3Q 15 from 3Q 14, our cost of sales decreased by approximately RMB 146.1 million or 84% from approximately RMB 174 million in 3Q 14 to approximately RMB 28.2 million in 3Q 15.

*Gross profit margin by product segment:*

	3Q 15	3Q 14	Growth	9M 15	9M 14	Growth
Footwear	12.7%	20.7%	(8%)	18.4%	20.4%	(2%)
Apparel	-	8.9%	(8.9%)	-	9.2%	(9.2%)
Overall GP margin	12.7%	19.9%	(7.2%)	18.4%	19.5%	(1.1%)

Our gross profit decreased by approximately RMB 85.5 million or 71% from approximately RMB 120.6 million in 9M 14 to approximately RMB 35.1 million in 9M 15 as a result of lower volume of footwear products being sold and no more sale of apparels. Our overall gross profit margin slightly reduced by 1.1% in 9M 15 despite the lower volume of footwear products as we no longer sell low margin apparel products in 2015.

In 3Q 15, our gross profit margin decreased by 7.2% from approximately 19.9% in 3Q 14 to 12.7% in 3Q 15. Quarter-on-quarter, our overall gross profit margin decreased from 15.2% in 2Q 15 to 12.7% in 3Q 15. The decrease of overall gross profit margin was mainly due to the decrease in volume of footwear products being sold in 3Q 15 outweighed the offsetting of the fixed cost of the production as well as the sales mix of lower gross profit margin of the footwear products.

### **Other operating income**

Other operating income comprises interest income from bank deposits and exchange differences. Without considering the realised exchange gain of approximately RMB 0.3 million recorded in 9M 15, there is a decrease in interest income in 9M 15 which was due to lower bank balances during the period as compared to corresponding period in 2014 and the interest income in 3Q 15 was comparable to 3Q 14 due to privileged interest rate offered by the bank on attracting deposit.

### **Operating expenses**

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 546.4 million or 1088% from approximately RMB 50.2 million in 9M 14 to approximately RMB 596.6 million in 9M15. As a percentage of revenue, operating expenses increase to approximately 312.2 % in 9M 15 from approximately 8.2% in 9M 14.

The main increase in total operating expenses came from administrative expenses which increase by approximately RMB 536.7 million or 3,145% from approximately RMB 17.1 million in 9M 14 to approximately RMB 553.7 million in 9M 15 while administrative expenses in 3Q 15 increased by approximately RMB 237.3 million or 4,250% from approximately RMB 5.6 million to approximately RMB 242.9 million in 3Q 15. The increase for both 9M 15 and 3Q 15 are due to the impairment loss on trade receivables of approximately RMB 487.4 million and RMB 188.4 million being recognised in both periods. We have tried all ways of collecting our trade receivables back but the collection has been slow due to the poor economic outlook. In view of this, we have made impairment loss on trade receivables in 3Q 15.

Selling and distribution expenses increased by approximately RMB 54.8 million or 165% from approximately RMB 33.2 million in 9M 14 to approximately RMB 87.9 million in 9M 15 while selling and distribution expenses in 3Q 15 increased by approximately RMB 63.7 million or 588% from approximately RMB 10.8 million to approximately RMB 74.6 million in 3Q 15. The Group had only spent RMB 5 million and RMB 10.8 million in 3Q 15 and 9M 15 respectively, in advertising on the internet to create and promote the awareness of the YELI brand and functionality of YELI breathable shoes on various e-commerce platforms as compared to approximately RMB 24.7 million and RMB 8.2 million in 9M 14 and 3Q 14, respectively. The decrease in spending in advertising is due to poor economic outlook and no enhanced features of the footwear products being produced. In addition, the Group has incurred approximately RMB 66.5 million to help to subsidize the distributors in closing their stores which mainly comprise of restoration fee.

#### **Finance costs**

Finance costs in 9M 15 and 3Q 15 decreased by approximately RMB 0.5 million or 8% and approximately RMB 0.1 million or 5% as compared to 9M 14 and 3Q 14 respectively. The decrease was due to lower outstanding bank loans in 9M 15 and 3Q 15 as compared to 9M 14 and 3Q 14 respectively.

#### **Income tax**

Income tax expense in 9M 15 and 3Q 15 of approximately RMB Nil and RMB Nil million reported respectively, were due to loss incurred in 9M 15 from our operating subsidiaries in PRC as compared to the profit registered in 9M 14 and 3Q 14 respectively.

- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

#### **Commentary on Financial Position**

##### **Non-Current Assets**

Net book value of property, plant and equipment decreased by approximately RMB 8 million from approximately RMB 113.8 million as at 31 December 2014 to approximately RMB 105.7 million as at 30 September 2015. This was mainly attributed to the depreciation charge of the property, plant and equipment during the period of approximately RMB 8 million.

Land use rights and intangible assets as at 30 September 2015 decreased marginally when compared to 31 December 2014. This was mainly attributed to the amortisation of land use rights and other intangible assets.

Under PRC laws, tax losses incurred in the year ended 31 December 2013 can be utilised to off-set taxable profit of our Group in the following 5 financial years. The off-set gives rise to the deferred tax asset. There is no utilisation of deferred tax asset for 9M 2015 due to the loss incurred and no additional recognition of deferred tax asset due to the gloomy future economic outlook in the sportswear industry.

## Current Assets

Inventories, comprised mainly raw materials and finished goods, decreased by approximately RMB 10.5 million from approximately RMB 26.1 million as at 31 December 2014 to approximately RMB 15.6 million as at 30 September 2015. The Group tried to maintain a lower level of inventories due to uncertain economic outlook.

Trade receivables decreased from approximately RMB 429.9 million as at 31 December 2014 to approximately RMB 60.1 million as at 30 September 2015 due to mainly slow collection from customers and thus an impairment loss of RMB 487.4 million of trade receivables recognised in 9M 15. Our trade receivables turnover days were in the range of 30-86 days. The Group has decided to stop selling to the existing distributors who have not been paying on time from 3Q 15 onwards and also to implement a more tightening credit control to both new and existing distributors in the collection.

*Aging of trade receivables is set out as follows:*

	(RMB million)	%
Current (less than 30 days) –	9.7	16.2
31 to 60 days –	9.1	15.1
61 to 90 days –	8.2	13.6
Over 90 days	33.1	55.1
Total	60.1	100.0

Other receivables and prepayment increased from approximately RMB 120.6 million as at 31 December 2014 to approximately RMB 148.3 million as at 30 September 2015.

The balance consisted mainly of advance payments made to existing suppliers of approximately RMB 26.3 million to lock in raw materials prices and the advance payment to a marketing agency of approximately RMB 20.1 million and RMB 45 million prepayment made to an academic researcher to conduct a long term strategic course for key management and main distributors which included an on-going monitoring programme. The advance payment to the agency covered online advertising and promotional activities; and outdoor and print media advertisements managed by the agency to create and increase awareness of our Group's electronic commerce ("**e-commerce**") platform. The outdoor advertisements included billboards on highways and buildings while the print media advertisements included advertisements on magazines highlighting our Group's e-commerce platform. Expenses for the internet marketing activities included planning and the production of the advertisements and setup for internet sales over the various e-commerce platforms (including T-mall, Tao Bao, shop.qq.com etc.).

In addition, a RMB 55 million refundable deposit was paid to the Anhui government in relation to the proposed acquisition of land in Suzhou, Anhui Province (the "**Suzhou Project**") to construct our new plant. We are still in negotiations with the Administrative Committee of the SETDZ (宿州经济技术开发区管委会) ("**ACSETDZ**") on the Suzhou Project and will release a detailed announcement regarding the Suzhou Project upon the completion of the negotiations with ACSETDZ.

As at 30 September 2015, we had cash and cash equivalents of approximately RMB 157.7 million. The decrease in cash and cash equivalents was due mainly to the net cash used in operation and financing activities. (Please refer to the statement of cash flow in this announcement for further details).

The cash and cash equivalents were mainly bank deposits denominated in RMB and Singapore Dollars. As at 30 September 2015, we have not entered into any financial derivative arrangements because our operations are mainly in PRC and the main operational currency is RMB.

### **Current Liabilities**

Trade payables and bills payable decreased from approximately 147.5 million as at 31 December 2014 to approximately RMB 17.7 million as at 30 September 2015. This was due to prompt payment made to suppliers to secure better trade terms and lesser purchases during 9M 15 in view of the reduction in overall business activities.

Accrued liabilities, other payables (included wages payables, accrued utilities expenses) and amount owing to a director increased from approximately RMB 68.0 million as at 31 December 2014 to approximately RMB 69.6 million as at 30 September 2015. The increase was mainly due to the director helping to make payment of certain operating expenses of the subsidiaries.

As at 30 September 2015, we had bank borrowings of approximately RMB 22.5 million. The decrease in the bank loans as compared to 31 December 2014 was due to the repayment of bank loans of RMB 74.7 million in 9M 2015 which was offset by bank loans of approximately RMB 22.5 million obtained in 9M 15,. In 9M 15, PRC economy continued to experience credit tightening from financial institutions and we has also stopped issuing bills payables to the suppliers as at 30 September 2015.

### **Commentary on Statement of Cash Flows**

#### **Net Cash from Operating Activities**

Operating cashflow before working capital changes decreased by approximately RMB 145.6 million from approximately RMB 80 million net inflow in 9M 14 to approximately RMB 65.7 net outflow million in 9M 15. The decrease was mainly due to the operating loss generated in 9M 15 as compared to the operating profit incurred in the corresponding period in 2014 and offset by the recognition of the impairment loss on trade receivable. The operating cashflow before working capital changes decreased by approximately RMB 151.9 million from approximately RMB 29.8 million net inflow in 3Q 14 to approximately RMB 77.1 net outflow million in 3Q 15. The decrease was mainly due to the operating loss generated in 3Q 15 as compared to the operating profit incurred in the corresponding period in 2014 and offset by the recognition of the impairment loss on trade receivable.

Net cash used in operating activities in 9M 15 decreased significantly by approximately RMB 382 million as compared to 9M 14 mainly due to the huge loss generated of approximately RMB 566.3 million, increase in trade receivables of approximately RMB 145.2 million, decrease in trade payables and bills payables of approximately RMB 20.6 million and RMB 109.3 million, respectively and this is offset by the huge impairment loss on trade receivables recognised of approximately RMB 487.4 million and decrease in inventories of approximately RMB 10.5 million.

Net cash used in operating activities in 3Q 15 increased by approximately RMB 58.9 million as compared to 3Q 14 was mainly due to huge loss generated of approximately RMB 270.2 million, decrease in trade receivables of approximately RMB 46.1 million which is offset by the huge impairment loss on trade receivables recognised of approximately RMB 188.4 million in 3Q 2015.

#### **Net Cash used in Investing Activities**

In 9M 15, there is no net cash used in investing activities whereas in 1H 14, there is a refund of the prepayment to Guosheng in March 2014 of approximately RMB 43.7 million offset by the purchase of property, plant and equipment of RMB 132,000.

#### **Net Cash from/(used in) Financing Activities**

Net cash used in financing activities was approximately RMB 39 million in 9M 15. This was due mainly to net repayment of bank loans of RMB 52.2 million which was offset by an increase in amount owing to a director (Mr Lin Shaoxiong) of approximately RMB 2.5 million and the decrease in pledged deposits of approximately RMB 10.7 million in 9M 15.

Net cash from financing activities was approximately RMB 0.9 million in 3Q 15. These was mainly due to an increase in the amount owing to a director (Mr Lin Shaoxiong) of approximately RMB 0.9 million .

## 9. Use of Rights Issue and Placement Proceeds

The following table sets out the details of the utilisation of placement proceeds up to 30 June 2015:

No	Planned Usage	Placement Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Penetrate kids-wear market in the PRC: Research and development and setting up distribution network, including setting up YELI kids-wear specialty stores	50.0	50.0	-
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	20.0	-
3.	Development of online shopping platform	27.9	27.9	-
		97.9	97.9	-

## 10. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no variance from the prospect statement as compared to the actual results.

## 11. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

China's Gross Domestic Product ("GDP") increased by 6.9% year-on-year during the first nine months of 2015 ("9M15") and the rate was slowest since first quarter of 2009. At the same time, total retail sales of consumer goods for 9M 15 rose 10.9% with retail sales in rural area rising 11.5% while retail sales in urban area rising at a relatively slower pace of 10.1%\*.

The China sportswear industry, which has been facing challenges stemming from excessive inventory and over-expanded retail channels over the past few years has not shown much improvement. Measures have been taken by Industry players in destocking and network consolidation. Despite this, there remains uncertainty arising from the lack of product differentiation but intense competition amongst the market players. Footwear and apparel brands that are more differentiated, more responsive to market trends and more capable of delivering value for money and innovative products to consumers will benefit from the industry consolidation.

In response to such market conditions, our Group has taken various measures and initiatives to develop better differentiated products, improve our retail channel management and operational efficiency. Such measures include the change in product positioning with added emphasis on casual fashion wear as well as streamlining of distribution network through reduction of inefficient stores.

Henceforth, our Group will strategically move to sustain our market share and continue to invest in product design and development in response to market trends as well as to better differentiate our products from our competitors. Operationally, our Group will endeavour to improve our financial performance in FY2015 through cost control measures and reducing subsidies given to distributors and tighten the credit control over collection from distributors.

*\*Based on the statistics provided by China National Bureau of Statistics (“NBS”)*

**12. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**13. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**16. A breakdown of sales.**

Not applicable.

**PART III OTHER INFORMATION**

**17. Interested Person Transactions**

As stated in **paragraph 1(b)(ii)**, Mr Lin Shaoxiong and Mr Lin Yongjian have jointly provided a personal guarantee to secure Hengfa’s banking facility. We have not paid either of them any form of consideration for the provision of the personal guarantee.

Mr Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. We have not paid him any form of consideration for the provision of the personal guarantee.

On 12 December 2011, our Group entered into a licensing agreement with Mr Lin Yongjian under which our Group was licensed to utilise the technology relating to breathable shoes (the “**License**”).

The royalty fee payable for the License was calculated as a percentage of the revenue generated from the sale of breathable shoes; being 5% from 1 January 2012. The licence fee (including the sign-on fee and the royalty fee for the term of the License) was capped at RMB 55,865,721, being the amount equivalent to 5% of the net asset value of our Group, based on 2010 audited accounts.

The term of the License had since been extended further by another agreement (the “**2014 Extension Agreement**”). With the extended term, the License will conclude on 31 December 2014 (the “**2014 Extended Term**”).

During the 2014 Extended Term, the royalty fee will continue to be on computed in the same manner. However, the aggregate royalty fee for the 2014 Extended Term together with other transactions entered into with Mr Lin Yongjian during FY2014, is subject to a cap of RMB50,217,550, equivalent to 5% of the net tangible asset value of our Group, based on our latest audited financial statements for the financial year ended 31 December 2013. The royalty fee for the 2014 Extended Term will be computed and paid only after our audited accounts for the 2014 Extended Term had been issued. All other terms and conditions remain unchanged for the 2014 Extended Term.

The term of the License had been extended further by another agreement (the “**2015 Extension Agreement**”) for another 12 months in which the License will conclude on 31 December 2015 (the “**2015 Extended Term**”). All other terms and conditions remain unchanged for the 2015 Extended Term.

As stated in our announcement on 14 August 2013 and 3 September 2013, our Audit Committee was of the view that the Extension Agreement was on normal commercial terms and was not prejudicial to the interests of our Company and our minority shareholders.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual) (“**IP**”) for the financial period ended 30 September 2015:

Name of interested person	Aggregate value of all IPTs during the financial period under review	
	excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920	under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB	RMB
Lin Shaoxiong	-	-
Royalty fees payable to Lin Yongjian	6.55 million	-

**18. Negative Assurance**

**Statement Pursuant to SGX Listing Rule 705(5) of the Listing Manual**

Our Directors of our Company hereby confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of our Company which may render the unaudited interim financial results of our Company and of our Group for the third quarter and nine months ended 30 September 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lin Shaoxiong  
Chief Executive Officer  
Singapore  
**14 November 2015**

Lin Shaoqin  
Executive Director

**BY ORDER OF THE BOARD**

**Lin Shaoxiong**  
**Chief Executive Officer**  
**14 November 2015**