CHINA HONGXING SPORTS LIMITED (Company Registration Number 36746)
(Incorporated in Bermuda)

Third Quarter Financial Statement And Related Announcement for Period Ended 30 September 2015

CAUTIONARY NOTE:

The financial results disclosed in this announcement include financial information provided by the Company's subsidiaries in the People's Republic of China ("PRC"), namely Fujian Hongxing Erke Sports Goods Co., Ltd ("Hongxing Erke") and Quanzhou Hongrong Light Industry Co., Ltd. ("Hongrong Light Industry") (collectively Hongxing Erke and Hongrong Light Industry are hereinafter referred as "PRC Key Subsidiaries") as well as Xiamen Hongxing Erke Apparel Co., Ltd. ("Hongxing Apparel").

The Company wishes to highlight that as disclosed in the Company's announcement entitled "Appointment of Special Accountant" and "Request for Suspension of Trading in Shares" released on 25 February 2011, the Company and its external auditors, Ernst & Young LLP ("EY"), encountered certain difficulties in respect of the finalization of the audit of the Company's consolidated financial statements for the financial year ended 31 December 2010 ("FY2010"), particularly with reference to cash and bank balances, accounts receivable, accounts payable and other expenses of the Company's PRC Key Subsidiaries.

The Company also wishes to highlight that the financial results disclosed in this announcement are subject to the background and limitations relating to the preparation of the Company's consolidated statements of financial position as at 30 September 2015 and as at 31 December 2014 and the consolidated statements of comprehensive income for the quarter ended 30 September 2015 ("3Q2015"), the quarter ended 30 September 2014 ("3Q2014"), the 9 months ended 30 September 2015 and the 9 months ended 30 September 2014 as set out below ("Limitations"):

a) **On 1 March 2011, the Company appointed nTan Corporate Advisory Pte Ltd as Special Auditor, to carry out an independent investigation into the matters raised in the Company's announcement entitled "Appointment of Special Accountant" and "Request for Suspension of Trading in Shares" released on 25 February 2011 ("Independent Investigation").**

b) **The Special Auditor completed the Independent Investigation and submitted their report on the Independent Investigation ("Report") to the Audit Committee and the Singapore Exchange Securities Trading Limited ("SGX-ST") on 20 July 2012. The Audit Committee will determine, in consultation with the Company's lawyers, auditors and other professionals, the appropriate actions to be taken.**

c) **On 27 February 2012, the Company announced that it had submitted its trading resumption proposal pursuant to Rule 1304(1) of the Listing Manual. On 12 April 2012, the Company announced that SGX-ST had granted the Company an extension of time until 28 June 2012 to submit a fuller trading resumption proposal. On 20 July 2012, the Company announced that the SGX-ST had granted the Company an extension of time until 25 July 2012 to submit the aforementioned fuller trading resumption proposal.**

d) **On 25 July 2012, the Company announced that the Company had submitted the fuller trading resumption proposal to SGX-ST. On 25 September 2012, the Company announced that SGX-ST had responded to the Company's trading resumption proposal and commented on matters that require further consideration by the Company and also the additional steps that must be undertaken by the Company to formulate a trading resumption proposal.**

e) **The Company has since undertaken and implemented various steps to re-submit its trading resumption proposal, taking into account SGX-ST's comments to the Company. On 28 May 2013, the Company re-submitted its trading resumption proposal to SGX-ST.**

f) **In connection with the abovementioned trading resumption proposal, the Company has appointed PricewaterhouseCoopers LLP as Independent Reporting Accountant ("Independent Reporting Accountant") to perform an audit of the Company's consolidated statement of financial position and the consolidated statement of comprehensive income for FY2010 and FY2011 and to review the year-to-date financial results for the first 6 months ended 30 June 2012 ("H1FY2012"). The Independent Reporting Accountant have completed their audit of the financial results for FY2010 and FY2011 and their review of the financial results for H1FY2012.**

g) **The Board refers to the Company's announcements released on 29 August 2014, 2 October 2014, 31 October 2014, 1 December 2014, 31 December 2014, 31 January 2015, 4 March 2015, 7 April 2015, 7 May 2015, 2 June 2015, 30 June 2015, 31 July 2015, 31 August 2015, 30 September 2015 and 30 October 2015.**

It was announced previously that the Company was not in a position to and will not be proceeding with the Company's trading resumption proposal and that the Board was undertaking all strategic options available to the Company.

It was announced previously on 31 December 2014 that a potential offer in relation to the possible delisting of the Company from the SGX-ST ("Potential Offer") was being considered by a potential offeror and that professional parties have been appointed to carry out work in relation to the Potential Offer which was expected to be made in about three months.

The Company had on 30 October 2015 announced that there has been no update in relation to the Potential Offer.

h) **The financial results disclosed in this announcement have not been reviewed or audited by the Independent Reporting Accountant or the Company's external auditors. As such, the Company would like to remind Shareholders that the financial results disclosed in this announcement may be subject to further adjustments and revisions after the audit by the Company's external auditors.**

The board of directors of the Company cautions that the financial results disclosed in this announcement are unaudited.

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

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

1 (a)(i) UNAUDITED INCOME STATEMENT FOR 9 MONTHS ENDED 30 SEPTEMBER

	3 months ended		Change	9 months ended		Change
(RMB'000)	30 Sep 2015	30 Sep 2014	%	30 Sep 2015	30 Sep 2014	%
Revenue	331,541	796,753	(58.4)	948,455	1,649,237	(42.5)
Cost of goods sold	(263,919)	(662,387)	(60.2)	(772,557)	(1,366,188)	(43.5)
Gross profit	67,622	134,366	(49.7)	175,898	283,049	(37.9)
Other income	1,160	702	65.2	3,977	3,706	7.3
Selling and distribution expenses	(94,235)	(117,643)	(19.9)	(339,505)	(330,037)	2.9
Administrative expenses	(22,518)	(25,955)	(13.2)	(104,006)	(91,010)	14.3
Loss from operations	(47,971)	(8,530)	462.4	(263,636)	(134,292)	96.3
Finance costs	(35)	(34)	2.9	(98)	(94)	4.3
Loss before tax	(48,006)	(8,564)	460.6	(263,734)	(134,386)	96.3
Income tax expense	(2,639)	(11,374)	(76.8)	(2,044)	(15,662)	(86.9)
Loss attributable to shareholders	(50,645)	(19,938)	154.0	(265,778)	(150,048)	77.1

STATEMENT OF COMPREHENSIVE INCOME FOR 9 MONTHS ENDED 30 JUNE

Group	3 months ended		Change	9 months ended		Change
(RMB'000)	30 Sep 2015	30 Sep 2014	%	30 Sep 2015	30 Sep 2014	%
Loss attributable to shareholders	(50,645)	(19,938)	154.0	(265,778)	(150,048)	77.1
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	(50,645)	(19,938)	154.0	(265,778)	(150,048)	77.1

Note:

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

1(a)(ii) Other information:

Group	3 months ended		Change	9 months ended		Change
(RMB'000)	30 Sep 2015	30 Sep 2014	%	30 Sep 2015	30 Sep 2014	%
Profit before tax is arrived at after charging/(crediting) the following:						
Sundry income	(520)	(582)	(10.7)	(2,078)	(3,386)	(38.6)
Interest income	(640)	(120)	433.3	(1,899)	(320)	493.4
	(1,160)	(702)	65.2	(3,977)	(3,706)	7.3
Refurbishment expenses	14,865	46,244	(67.9)	59,500	121,097	(50.9)
Depreciation and amortisation						
- cost of goods sold	10,970	9,960	10.1	40,078	38,120	5.1
- selling and distribution expenses	1,124	1,152	(2.4)	2,938	2,954	(0.5)
- administrative expenses	2,975	2,778	7.1	8,246	8,146	1.2
	15,069	13,890	8.5	51,262	49,220	4.2
Research and development costs	12,557	11,142	12.7	43,831	25,510	71.8
Net loss on property, plant and equipment due to fire (Note)	-	-	N/A	7,635	-	100.0
Net loss on inventories due to fire (Note)	-	-	N/A	8,054	-	100.0

Note: A fire occurred on 14 June 2015 night at Hongrong Light Industry Plant. Investigation revealed that the fire was probably due to electric short circuit of air conditioner system. There were no casualties. The fire caused damage to two plant buildings and production machinery amounting to RMB76.3 million, and loss of inventory materials amounting to RMB80.5 million. As about 90% of the loss was covered by insurance, the remaining 10% were recognised as expenses.

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.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	30 Sep 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014
NON-CURRENT ASSETS				
Property, plant and equipment	456,977	578,222	-	-
Land use rights	25,001	25,657	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	497,930	619,831	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	448,985	460,249	-	-
Trade receivables	492,043	888,790	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	9,163	6,560	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	112,969	29,596	60	60
	1,064,038	1,386,073	3,008,732	3,008,732
Total assets	1,561,968	2,005,904	3,258,030	3,258,030
EQUITY				
Issued capital	56,595	56,595	56,595	56,595
Share premium	2,978,708	2,978,708	2,978,708	2,978,708
Statutory reserve	125,518	125,518	-	-
Foreign currency translation reserve	(27,822)	(27,822)	43,125	43,125
Contributed surplus	31,494	31,494	31,494	31,494
Revaluation reserve	21,554	21,554	-	-
(Accumulated loss)/retained profits	(2,333,761)	(2,067,983)	82,458	82,458
	852,286	1,118,064	3,192,380	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	484,413	654,260	-	-
Accruals and other payables	161,684	156,964	32,777	32,777
Amount due to executive director	32,873	32,873	32,873	32,873
Current tax liabilities	29,801	42,832	-	-
	708,771	886,929	65,650	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	709,682	887,840	65,650	65,650
Total equity and liabilities	1,561,968	2,005,904	3,258,030	3,258,030

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 Sep 2015		As at 31 Dec 2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Interest-bearing loans	-	-	-	-

The Group does not have any outstanding borrowings and debt securities as at 30 September 2015 and as at 31 December 2014.

Details of any collateral

Not applicable.

1(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)	Group 3 months 30/9/15	Group 3 months 30/9/14	Group 9 months 30/9/15	Group 9 months 30/9/14
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(48,006)	(8,564)	(263,734)	(134,386)
Adjustments for:				
Depreciation and amortisation	15,069	13,890	51,262	49,220
Net loss on property, plant and equipment due to fire	-	-	7,635	-
Net loss on inventories due to fire	-	-	8,054	-
Other interest expenses	35	34	98	94
Interest income	(640)	(120)	(1,899)	(320)
Operating (loss)/profit before working capital changes	(33,542)	5,240	(198,584)	(85,392)
(Increase)/decrease in inventories	(127,255)	3,228	(69,275)	(17,144)
Decrease/(increase) in trade receivables	8,053	(95,486)	396,747	86,705
Decrease/(increase) in prepayments, deposits and other receivables	134,048	(12,811)	138,596	(5,649)
(Decrease)/increase in trade payables	(46,551)	74,290	(169,847)	(18,405)
(Decrease)/increase in accruals and other payables	(114)	2,980	4,720	(396)
Cash (used in)/generated from operations	(65,361)	(22,559)	102,357	(40,281)
Income tax paid	(2,882)	(7,514)	(15,075)	(11,388)
Other interest paid	(35)	(34)	(98)	(94)
Net cash (used in)/generated from operating activities	(68,278)	(30,107)	87,184	(51,763)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(2,509)	(1,739)	(5,710)	(4,068)
Interest received	640	120	1,899	320
Net cash used in investing activities	(1,869)	(1,619)	(3,811)	(3,748)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(70,147)	(31,726)	83,373	(55,511)
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	183,116	142,429	29,596	166,214
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	112,969	110,703	112,969	110,703
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	112,969	110,703	112,969	110,703
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	112,969	110,703	112,969	110,703

1(d)(i) A statement (for the issuer and group) 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.

UNAUDITED STATEMENTS OF CHANGES IN EQUITY – ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RMB'000)	Issued Capital	Share Premium	Statutory Reserve	Foreign currency translation Reserve	Contributed Surplus	Revaluation Reserve	Retained Profits	Total
Group – Current Period								
Balance as at 1/1/2015	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,067,983)	1,118,064
Total comprehensive income for the financial period	-	-	-	-	-	-	(265,778)	(265,778)
Balance as at 30/9/2015	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,333,761)	852,286
Group – Previous Period								
Balance as at 1/1/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,610,248)	1,575,799
Total comprehensive income for the financial period	-	-	-	-	-	-	(150,048)	(150,048)
Balance as at 30/9/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,760,296)	1,425,751
Company – Current Period								
Balance as at 1/1/2015	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 30/9/2015	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Company – Previous Period								
Balance as at 1/1/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 30/9/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015

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, 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 options granted and issue of shares pursuant to the Employee's share option scheme.
There were no shares that may be issued on conversion of all the outstanding convertibles.
There were no treasury shares.

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.

As at 30 September 2015 and 31 December 2014, the share capital of the Company comprised 2,800,000,000 ordinary shares.

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.

The Company does not have any treasury shares.

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

These figures have neither been audited nor reviewed. Please also refer to the Cautionary Note above.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2010 ("FY2010").

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.

The Group has adopted the applicable new/revised IFRS that are mandatory for annual period beginning on 1 January 2015. For the current reporting period ended 30 September 2015, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

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.

	3 months ended 30/9/15	3 months ended 30/9/14	9 months ended 30/9/15	9 months ended 30/9/14
Profit/(loss) per share – basic (RMB cents)	(1.81) [2]	(0.71) [2]	(9.49) [1]	(5.36) [1]

Notes:

(1) Loss per ordinary share for 9 months ended 30 September 2015 and 30 September 2014 were calculated based on unaudited loss attributable to shareholders divided by weighted average number of 2,800,000,000 ordinary shares.

(2) Loss per ordinary share for 3 months ended 30 September 2015 and 30 September 2014 were calculated based on unaudited loss attributable to shareholders divided by weighted average number of 2,800,000,000 ordinary shares.

7. Net asset value (for the issuer and group) 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	**Group**	**Company**	**Company**
	30/9/15	**31/12/14**	**30/9/15**	**31/12/14**
Based on the issued capital at the end of the financial period/year (RMB cents)	30.44	39.93	114.01	114.01
Number of ordinary shares of HK$0.02 each in issue as at the end of the financial period/year in calculating net asset value	2,800,000,000	2,800,000,000	2,800,000,000	2,800,000,000

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

Review of the Group's Performance for 3Q2015 as compared to the Group's Performance for 3Q2014

Revenue

Revenue decreased by RMB700.7 million or 42.5% from RMB1,649.2 million in the 9 months ended 30 September 2014 to RMB948.5 million in the 9 months ended 30 September 2015.

Revenue decreased by RMB465.3 million or 58.4% from RMB796.8 million in 3Q2014 to RMB331.5 million in 3Q2015. Due to slow down of China economy, the distributors were closing the low contribution outlets, thus reducing orders to the Group. Also the fire in June 2015 caused damage to the plant and about 35% of the Group production capacity is affected.

The size of retail network was 5,424 ERKE Points of Sale ("**ERKE POS**") as at 30 September 2015 (31 December 2014: 6,526).

Revenue by product segments

	3Q2015		3Q2014		Revenue growth
	RMB'000	% of revenue	RMB'000	% of revenue	%
Footwear	235,979	71.2	440,975	55.3	(46.5)
Apparel	91,362	27.5	352,572	44.3	(74.1)
Accessories	4,200	1.3	3,206	0.4	31.0
Total	331,541	100.0	796.753	100.0	(58.4)

Revenue from sports footwear decreased by RMB205.0 million or 46.5% from RMB441.0 million in 3Q2014 to RMB236.0 million in 3Q2015 mainly due to decreased order volumes by distributors.

Revenue from sports apparel decreased by RMB261.2 million or 74.1% from RMB352.6 million in 3Q2014 to RMB91.4 million in 3Q2015 mainly due to decreased order volumes by distributors.

Revenue from sports accessories increased by RMB1.0 million or 31.2% from RMB3.2 million in 3Q2014 to RMB4.2 million in 3Q2015 due to increased order volumes of a variety of bags, hats and socks by distributors.

Cost of goods sold and gross profit margin

Cost of goods sold decreased by RMB398.5 million or 60.2% from RMB662.4 million in 3Q2014 to RMB263.9 million in 3Q2015. This was in line with the decrease in revenue.

Gross profit decreased by RMB66.8 million or 49.7% from RMB134.4 million in 3Q2014 to RMB67.6 million in 3Q2015. Gross profit margin increased from 16.9% in 3Q2014 to 20.4% in 3Q2015. Gross profit in 3Q2015 decreased as compared to 3Q2014 due to lower revenue as a result of drop in order volumes by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses decreased by RMB26.9 million or 18.7% from RMB143.6 million in 3Q2014 to RMB116.7 million in 3Q2015. As a percentage of revenue, operating expenses has increased from 18.0% in 3Q2014 to 35.2% in 3Q2015.

Selling and distribution expenses decreased by RMB23.4 million or 19.9% from RMB117.6 million in 3Q2014 to RMB94.2 million in 3Q2015. The major item contributing to the decrease was the advertising expenses which decreased from RMB69.9 million in 3Q2014 to RMB59.4 million in 3Q2015, and the refurbishment expenses which decreased from RMB46.2 million in 3Q2014 to RMB14.9 million in 3Q2015.

Advertising expenses include trade fairs, promotion campaigns, sponsorship activities, advertising on television, advertising on internet, advertising on print media such as billboards, sports magazines and newspapers,

Administrative expenses decreased by RMB3.5 million or 13.5% from RMB26.0 million in 3Q2014 to RMB22.5 million in 3Q2015. The Group has continued to exercise tight control over administrative expenses.

The major item of administrative expenses was research and development costs which increased by RMB1.5 million or 13.5% from RMB11.1 million in 3Q2014 to RMB12.6 million in 3Q2015 due to the higher staff costs and the costs of the materials used for R&D.

Income tax expense

The tax charge represents applicable PRC enterprise income tax provided for the period.

The applicable corporate income tax rate for the subsidiaries of the Group in the PRC is 25%.

Deferred tax assets represented temporary differences arising from advertising fees.

Profit attributable to shareholders

The Group recorded a loss before tax of some RMB48.0 million in 3Q2015 as compared to a loss before tax of some RMB8.6 million in 3Q2014 and a net loss attributable to shareholders of some RMB50.6 million in 3Q2015 as compared to a net loss attributable to shareholders of some RMB19.9 million in 3Q2014.

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

Review of the Group's Financial Position as at 30 September 2015 as compared to the Group's Financial Position as at 31 December 2014

Bank and cash balances of the Group increased from RMB29.6 million as at 31 December 2014 to RMB113.0 million as at 30 September 2015.

The Group recorded a net cash inflow from operating activities of some RMB87.2 million for the period ended 30 September 2015. This was mainly due to the loss before tax of some RMB263.7 million and a net decrease in trade payables of some RMB169.8 million which were offset by the net decrease in trade receivables of some RMB396.7 million.

Carrying amount of PPE decreased by RMB121.2 million or 21.0% from RMB578.2 million as at 31 December 2014 to RMB457.0 million as at 30 September 2015. This was mainly due to the fire in June 2015 which led to the loss of property, plant and equipment of RMB76.3 million and depreciation amounting to some RMB50.6 million in the 9 months ended 30 September 2015 as offset by the acquisition of production machinery and office equipment of some RMB5.7 million in the 9 months ended 30 September 2015.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.7 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories decreased by some RMB11.2 million or 2.4% from RMB460.2 million as at 31 December 2014 to RMB449.0 million as at 30 September 2015.

Trade receivables decreased by some RMB396.8 million or 44.6% from RMB888.8 million as at 31 December 2014 to RMB492.0 million as at 30 September 2015. This was in line with the drop in sales.

Trade payables decreased by RMB169.9 million or 26.0% from RMB654.3 million as at 31 December 2014 to RMB484.4 million as at 30 September 2015 due to decreased orders and settlement of outstanding trade debts in the 9 months ended 30 September 2015.

Accruals and other payables increased by RMB4.8 million or 3.1% from RMB156.9 million as at 31 December 2014 to RMB161.7 million as at 30 September 2015.

The "Amount due to executive director" relates to payments made by an executive director, Mr Wu Rongguang, on behalf of the Company to professionals in connection to the Independent Investigation and the Company's trading resumption. No repayments were made to Mr Wu Rongguang in the 9 months ended 30 September 2015. This was to avoid straining the Group's cash flow and available working capital for operations.

Deferred tax liabilities represented temporary differences arising from revaluation of property, plant and equipment.

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

There is no variation between the prospect statement made in paragraph 10 of the Company's 2Q2015 Results and its actual 3Q2015 Results.

10. 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.

The Group expects that it will continue to face challenges as market conditions remained highly competitive in the next 12 months. Labour and rental costs keep rising but the Group is unable to increase the selling prices significantly as peer competitors are still launching regular discount campaigns. To maintain market share, the Group needs to refurbish the outlets regularly. The Group also has concerns over the slowing China economy and reduced spending on discretionary purchases.

As mentioned in the note in 1(a)(ii), the fire in June 2015 caused significant damage to the plant building, production machinery and inventory materials in the Hongrong Light Industry Plant. About 35% of the Group production capacity is affected. The Group will need to acquire and install new machineries within the next 3 months. The cost is expected to be RMB60 million.

The Group will continue to exercise stringent control on its expenditure items.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend had been declared or recommended for the period ended 30 September 2015.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders for the period ended 30 September 2015.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
13 November 2015

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

The Directors confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the above unaudited 3Q2015 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
13 November 2015

Alfred Cheong
Independent Director