

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 FIRST QUARTER ENDED 31 MARCH 2015 (in RMB)

(RMB '000)	First Quarter		Change %
	Unaudited 2015	Unaudited 2014	
Revenue	103,501	183,466	(43.6)
Cost of sales	(80,918)	(149,225)	(45.8)
Gross profit	22,583	34,241	(34.0)
Other operating income	403	1,206	(66.6)
Selling and distribution expenses	(8,429)	(11,045)	(23.7)
Administrative expenses	(5,835)	(5,323)	9.6
Finance costs	(1,579)	(1,864)	(15.3)
Profit/(Loss) before income tax	7,143	17,215	58.5
Taxation	1,725	(4,439)	(138.9)
Profit/(Loss) for the period	8,868	12,776	30.6
Gross profit margin	21.8%	18.7%	
Profit before income tax margin	6.9%	9.4%	
Net profit margin	8.6%	7.0%	

STATEMENT OF COMPREHENSIVE INCOME FOR THE FOR THE FIRST QUARTER ENDED 31. MARCH 2015 (in RMB)

(RMB '000)	First Quarter		Change
	Unaudited	Unaudited	
	2015	2014	%
Profit/(Loss) for the period	8,868	12,776	30.6
Other comprehensive income for the period	(198)	(416)	(52.4)
Total comprehensive income for the period	8,670	12,360	29.9

1(a)(ii) Other Information

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

(RMB '000)	First Quarter		Change %
	2015	2014	
(a) Income statement includes the following:			
Interest paid on borrowings	(1,579)	(1,864)	(15.3)
Depreciation of property, plant and equipment	(2,704)	(3,160)	(14.4)
Amortisation of land use rights	(91)	(91)	-
Amortisation of intangible assets	(143)	(143)	-
Lease payments under operating lease for leasehold buildings	(240)	(240)	-
Salaries and related costs			
- Director remuneration	(582)	(582)	-
- Key personnel	(217)	(376)	(42.3)
Exchange gain / (loss)	185	507	(63.5)
(b) Other operating income comprises mainly			
Interest income	218	699	(68.8)

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

	Group		Company	
	Unaudited As at 31/3/2015	Audited As at 31/12/2014	Unaudited As at 31/3/2015	Company Audited As at 31/12/2014
(RMB '000)	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	111,045	113,749	8	13
Land use rights/Intangible assets	16,836	17,070	-	-
Deferred tax asset	42,519	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>170,400</u>	<u>175,063</u>	<u>459,994</u>	<u>459,999</u>
Current assets				
Inventories	19,472	26,111	-	-
Amount due from subsidiary	-	-	90,018	90,018
Trade receivables	530,405	429,904	-	-
Prepayments, other receivables and deposits	103,590	120,691	10	10
Pledged bank deposits	39,587	45,875	-	-
Cash and cash equivalents	310,270	532,506	19	19
	<u>1,003,324</u>	<u>1,155,087</u>	<u>90,047</u>	<u>90,047</u>
Less: Current liabilities				
Trade and bills payables	33,716	147,534	-	-
Amount owing to director	6,114	5,487	3,785	3,158
Accrued liabilities and other payables	62,412	62,517	4,596	3,969
Amount due to a subsidiary	-	-	22,854	22,854
Interest-bearing bank borrowings	22,900	74,700	-	-
	<u>125,142</u>	<u>290,238</u>	<u>31,235</u>	<u>29,981</u>
Net current assets	<u>878,182</u>	<u>864,849</u>	<u>58,812</u>	<u>60,066</u>
Non current liability				
Deferred tax liabilities	7,377	7,377	-	-
	<u>7,377</u>	<u>7,377</u>	<u>-</u>	<u>-</u>
Net assets	<u>1,041,205</u>	<u>1,032,535</u>	<u>518,806</u>	<u>520,065</u>
Share capital and reserves				
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	3,287	3,485	3,829	3,829
Retained earnings	352,370	343,502	(81,832)	(80,573)
Shareholders' equity	<u>1,041,205</u>	<u>1,032,535</u>	<u>518,806</u>	<u>520,065</u>
Total equity	<u>1,041,205</u>	<u>1,032,535</u>	<u>518,806</u>	<u>520,065</u>

	Unaudited RMB'000 31/3/2015	Audited RMB'000 31/12/2014
Inventory turnover (days)	22	15
Trade receivable (days)	461	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 31/3/2015		As at 31/12/2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	91,750	-
Interest-bearing loans	22,900	-	74,700	-
	<u>22,900</u>	<u>-</u>	<u>166,450</u>	<u>-</u>

Amount repayable after one year

	As at 31/3/2015		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 31 March 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 31 December 2014 and 31 March 2015 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.

Statement of Cash Flows

(RMB '000)	First Quarter	
	Unaudited 2015	Unaudited 2014
Cashflows from operating activities		
(Loss)/Profit before income tax	7,143	17,215
Adjustments for:		
Interest income	(218)	(699)
Depreciation of property, plant and equipment	2,704	3,160
Amortisation of land use rights/intangible assets	234	234
Interest expenses	1,579	1,864
Exchange difference in translation	(98)	(478)
Operating profit before working capital changes	11,344	21,296
Increase in inventories	(6,639)	(355)
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	(54,571)	115
(Decrease) / increase in trade payables and bill payables	(113,818)	24,678
(Decrease)/ increase in accrued liabilities and other payable	(135)	2,273
Cash (used in) / from operations	(163,819)	48,007
Interest received	218	699
Interest paid	(1,579)	(1,864)
Net cash (used in) / from operating activities	(165,180)	46,842
Cashflows from investing activities		
Refund of Investments	-	43,713
Purchases of property, plant and equipment	-	(22)
Net cash from investing activities	-	43,691
Cashflows from financing activities		
Increase in amount owing to director	927	586
Proceeds from bank loans	22,900	23,600
Repayment of bank loans	(74,700)	(24,000)
Decrease in pledged deposits	(6,288)	(37,060)
Net cash used in financing activities	(57,161)	(36,874)
Net (decrease) / increase in cash and cash equivalents	(222,341)	53,659
Cash and cash equivalents at beginning of period	532,506	694,301
Effects of exchange rate fluctuation	105	84
Cash and cash equivalents at end of period	310,270	748,044

(RMB '000)	First Quarter	
	Unaudited 2015	Unaudited 2014
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	310,270	748,044
Cash and cash equivalents per share (Cents)	<u>32.27</u>	<u>77.80</u>
Number of shares at balance sheet date	<u>961,538,000</u>	<u>961,538,000</u>

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
Group									
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	-	-	-	-	-	(198)	-	8,868	8,670
At 31 March 2015	36,570	560,135	(226)	801	330	3,287	87,938	352,370	1,041,205
Company									
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	-	-	-	-	-	-	-	(1,259)	(1,259)
At 31 March 2015	36,570	560,135	(226)	-	330	-	-	(78,003)	518,806

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 3 months ended 31 March 2015 and no outstanding convertibles held as at 31 March 2015.

Treasury shares

Our Company did not make any purchase of our shares during the first quarter ended 31 March 2015. As at 31 March 2015, our Company holds 587,000 treasury shares (31 March 2014: 587,000).

	Company 31 March 2015	Company 31 March 2014	Company 31 March 2015	Company 31 March 2014
	Number of shares		RMB '000	
Issued and fully paid				
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 31 March 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 three months ended 31 March 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 March 2015.

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.

	First Quarter	
	2015	2014
(Loss) Profit after income tax (RMB'000)	8,868(91,548)	12,776
Basic (loss) earnings —per share (RMB cents)	0.92(9.52)	1.33
Diluted (loss) earnings —per share (RMB cents)	0.92(9.52)	1.33

The basic ~~(loss)~~ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during the three months ended 31 March 2015 and the three months ended 31 March 2014, which were 961,538,000 and 961,538,000 shares, respectively. The weighted average ordinary shares for the three months ended 31 March 2015 and three months ended 31 March 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 31 March 2015	As at 31 Dec 2014	As at 31 March 2015	As at 31 Dec 2014
Net asset value as at the end of the respective period (RMB'000)	1,041,205,940,789	1,032,535	518,806	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)	108,2997.84	107.38	54.96	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 31 March 2015 ("1Q 15"), our Group recorded revenue of approximately RMB 103.5 million, a decrease of approximately RMB 80.0 million or 43.6% over revenue of approximately RMB 183.5 million for the previous corresponding period ("1Q 14").

The decrease in revenue in 1Q15 was 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 and apparel revenue in 1Q 15. Moreover, there is no enhanced features and functionality of our products in 1Q 15, thus making it harder to entice the distributors.

Breakdown of revenue by business lines

(RMB million)	1Q 15	%	1Q 14	%
Footwear	103.5	100.0	171.8	93.6
Apparel	-	-	11.7	6.4
Total Revenue	103.5	100	183.5	100

Breakdown of footwear revenue by segment

(RMB million)	1Q 15	%	1Q 14	%
YELI footwear	65.8	63.6	123.5	71.9
OEM footwear	37.7	36.4	48.3	28.1
Total footwear	103.5	100	171.8	100

Footwear

In 1Q 15, footwear products recorded approximately RMB 103.5 million in sales, representing a decrease of RMB 80.0 million or approximately 43.6% over sales of footwear products of approximately RMB 183.5 million in 1Q14. The decreases in revenue in 1Q15 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 1Q 15, our Yeli footwear sales was approximately RMB 65.8 million which represented 63.6% of our Yeli revenue and of our total revenue as compared to 91.3% and 67.3% of our YELI revenue and of our total revenue in 1Q 14.

The decrease in OEM footwear revenue in 1Q 15 was mainly attributable to decreased orders from our existing customers. 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 to total footwear revenue in 1Q15 from approximately 48.3 million in 1Q 14 to approximately 37.7 million.

Apparel

In 1Q 15, our Group recorded no apparel revenue and this is a decrease of RMB 11.7 million or 100% as compared to 1Q 14.

The weak consumer demand as well as our distributors being prudent when placing orders, coupled with the intensified price competition led to no new orders in 1Q 15.

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

	1Q 15	1Q 14	Growth
Points-of-sale	Over 1,035*	Over 1,365*	%
YELI specialty stores	Over 155	Over 250	%

* 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 24.2% from over 1,365 points of sale as at 31 March 2014 to over 1,035 point of sale as at 31 March 2015. Over the same period, the number of specialty stores decreased by 38% from over 250 to over 155. Our Group will continue to execute our strategy to improve the mix of our points of sale.

Due to the weak response to our YELI breathable shoes, our Group's distributors have since opened lesser 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 (as described below in **paragraph 11**) and vary the product line-up with greater emphasis on breathable shoes.

Cost of goods sold and gross profit margin

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 68.3 million or 45.8% from approximately RMB 149.2 million in 1Q 14 to approximately RMB 80.9 million in 1Q 15.

Gross profit margin by product segment:

	1Q 15	1Q 14	Growth	4Q 14	Growth
Footwear	21.8%	23.7%	(1.9)	17.7%	4.1%
Apparel	-	9.5%	(9.5)	8.6%	(8.6%)
Overall GP margin	21.8	18.7%	3.1	16.9%	4.9%

Our gross profit decreased by approximately RMB 11.6 million or 34% from approximately RMB 34.2 million in 1Q 14 to approximately RMB 22.6 million in 1Q 15 as a result of lesser volume of footwear products being sold and no more sale of apparels. Our overall gross profit margin increased from approximately 18.7% in 1Q 14 to 21.8% in 1Q 15. The increase of overall gross profit margin was mainly due to we change our strategy and no longer selling apparel products which are of lower margins as compared to footwear products.

Quarter-on-quarter, our overall gross profit margin increased from 16.9% in FY 14 to 21.8% in 1Q 15. The increase of overall gross profit margin was mainly due to higher margin derived from the breathable shoes and cease selling the lower margin of apparel products.

The decrease of the gross profit margin of our footwear in the 1Q 15 as compared to the corresponding periods last year were mainly attributable to 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 185.0 million, recorded in 1Q 15, there is a decrease in interest income in 1Q 15 which was due to lower bank balances during the period as compared to corresponding period in 2014 and lower interest rate offered by the bank.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses ~~de~~increased by approximately RMB ~~2.1412.9~~ million or ~~12588.94~~% from approximately RMB 16.4 million in 1Q 14 to approximately RMB ~~14.3112.9~~ million in 1Q 15. As a percentage of revenue, operating expenses ~~in~~increased to approximately ~~13.8109.1~~ % in 1Q 15 from approximately 8.9% in 1Q 14.

The main ~~de~~increase in total operating expenses came from ~~administrative costs which increased by approximately RMB 99.2 million or 1,860% from approximately RMB 5.3 million in 1Q 14 to approximately RMB 104.5 million in 1Q 15. The increases were due to penalties paid to some of the distributors of an amount approximately RMB 100.7 million. The penalty arises because of the high turnover of the employees during the period 1Q 2015 and poor planning of the production resulting in late delivery of the footwear products to the distributors.~~

~~S~~Selling and distribution expenses ~~which~~ decreased by approximately RMB 2.6 million or 23.7% from approximately RMB 11.0 million in 1Q 14 to approximately RMB 8.4 million in 1Q 15. The Group had only spent RMB 5.3 million in 1Q 15, 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 8.2 million in 1Q 14. The decrease in spending is due to ~~no~~ poor economic outlook and no enhanced features of the footwear products being produced.

~~Administrative expenses increased by RMB 0.5m or 9.6% from approximately RMB 5.3million in 1Q 14 to approximately RMB 5.8 million in 1Q 15. This is mainly due to transfer of some staffs from other departments to administrative departments to do some future strategies for the Group. Increase of travelling and entertainment expenses incurred by the management to source for new customers and business. Higher salaries and wages and social security costs from our PRC subsidiaries has also contributed to the increase.~~

Finance costs

Finance costs in 1Q 15 decreased slightly by approximately RMB 0.3 million. The decrease was approximately 15.3% from approximately RMB 1.6 million in 1Q 15 to approximately RMB 1.9 million in 1Q 14. The decrease was due to lower outstanding bank loans in 1Q 15 as compared to 1Q 14.

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Income tax

~~There is no income tax incurred during 1Q 15 due to loss registered from our operating subsidiaries in PRC as compared to profit incurred in 1Q 14. Income tax credit of approximately RMB 1.7 million was written back due to the deferred tax asset being recognised in the prior periods.~~

- (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 2.7 million from approximately RMB 113.8 million as at 31 December 2014 to approximately RMB 111.0 million as at 31 March 2015. This was mainly attributed to the depreciation charge of the property, plant and equipment during the period of approximately RMB 2.7 million.

Land use rights and intangible assets as at 31 March 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. Despite the loss registered in 1Q 15, there is 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 6.6 million from approximately RMB 26.1 million as at 31 December 2014 to approximately RMB 19.5 million as at 31 March 2015. The Group tried to ~~decrease of the level of inventories to be maintained~~ maintain a lower level of inventories due to uncertain economic outlook.

~~—as a result of poor sales in 1Q 15.—~~

Trade receivables increased from approximately RMB 429.9 million as at 31 December 2014 to approximately RMB 530~~3~~.4 million as at 31 March 2015 due to mainly ~~to slow~~ poor collection of the receivables in 1Q 15. Our trade receivables turnover days were in the range of 217-46~~1~~4 days.

Aging of trade receivables is set out as follows:

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	(RMB million)	%
Current (less than 30 days) –	435.0	8.15
31 to 60 days –	234.7	4.56
61 to 90 days –	33.8	6.43
Over 90 days-	429.9	810.06
Total	5303.4	100.0

Other receivables and prepayment decreased from approximately RMB 120.7 million as at 31 December 2014 to approximately RMB 103.6 million as at 31 March 2015. The balance consisted mainly of advance payments made to existing suppliers of approximately RMB 24.4 million to lock in raw materials prices and the advance payment to a marketing agency of approximately RMB 23.8 million. 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 31 March 2015, we had cash and cash equivalents of approximately RMB 3106.38 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 31 March 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 33.7 million as at 31 March 2015. This was due to prompt payment made to suppliers to secure better trade terms and lesser purchases during 1Q 15.

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Accrued liabilities, other payables (included wages payables, accrued utilities expenses) and amount owing to a director ~~de~~increased from approximately RMB 68.0 million as at 31 December 2014 to approximately RMB ~~58.5~~~~180.2~~ million as at 31 March 2015. The ~~de~~increase was mainly due to ~~penalties to be paid to some of the distributors of an amount approximately RMB 100.7 million. The penalty arises because of the late delivery of the footwear products to the distributors. reduction of salary payables, social security payables and value added tax payables during the period.~~

As at 31 March 2015, we had bank borrowings of approximately RMB 22.9 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 1Q 2015 which was offset by bank loans of approximately RMB 22.9 million obtained in 1Q 15,. In 1Q 15, PRC economy continued to experience credit tightening from financial institutions and we has also stopped issuing bills payables to the suppliers as at 31 March 2015.

Commentary on Statement of Cash Flows

Net Cash from Operating Activities

Operating cashflow before working capital changes decreased by approximately RMB ~~108.06~~ million from approximately RMB 21.3 million net inflow in 1Q 14 to approximately RMB ~~1187.3~~ net ~~in~~outflow million in 1Q 15. The decrease was mainly due to the ~~decrease in~~ operating ~~profit~~loss generated in 1Q 15 as compared to the operating profit incurred in the corresponding period in 2014.

Net cash used in operating activities in 1Q 15 decreased by approximately RMB ~~21205.04~~ million as compared to 1Q 14 mainly due to the increase in trade receivables and other receivables of approximately RMB ~~5474.69~~ million, decrease in trade and bills payables of approximately RMB 22.0 million and RMB 91.8 million, respectively.

Net Cash used in Investing Activities

In 1Q 15, there is no net cash used in investing activities whereas in 1Q 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 22,000.

Net Cash from in Financing Activities

Net cash used in financing activities was approximately RMB 57.2 million in 1Q 15. This was due mainly to net bank loans ~~obtained~~repayment of RMB 51.8 million and the decrease in pledged deposits of approximately RMB 6.3 million which was offset by an increase in amount owing to a director (Mr Lin Shaoxiong) of approximately RMB 1.0 million.

9. Use of Rights Issue and Placement Proceeds

The following table sets out the details of the utilisation of placement proceeds up to 31 March 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	11.9	38.1
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	10.0	10.0
3.	Development of online shopping platform	27.9	27.9	0.0
		97.9	49.8	48.1

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") growth slowed to 7.0% year-on-year in 1Q 15. It is the slowest growth rate since the March quarter 2009 due to the slow-down in manufacturing and property investment.

China sportswear industry as a whole has been facing challenges stemming from excessive inventory and over-expanded retail channels over the past few years. Despite measures taken by industry players in destocking and network consolidation, the worst are not over for the industry due to the poor economic outlook in China.

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 try 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 and setting up more shops and counters within departmental 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 enhanced product features and functionality.

**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.

On 26 February 2013, our Company announced that we had signed an agreement with Mr Lin Yongjian to extend the term of the License for 6 months (1 January 2013 till 30 June 2013). The royalty fee to be paid during the extended period continued to be on the same terms as set out in the License. However, our Group was licensed to use the technology for an enlarged range of products.

In August 2013, we announced that the term of the License had been extended for 12 months commencing from 1 July 2013 based on an agreement in August 2013 (the “**2013 Extension Agreement**”). Under the 2013 Extension Agreement, the royalty fees continued to be computed on the same terms as set out in the License.

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 6 months in which the License will conclude on 30 June 2015 (the “**2015 Extended Term**”). All other terms and conditions remain unchanged for the 2015 Extended Term.

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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) (“IPT”) for the financial period ended 31 March 2015:

Name of interested person	Aggregate value of all IPTs during the financial period under review	
	excluding transactions less than	under shareholders’ mandate

	S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920	pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB	RMB
Lin Shaoxiong	-	-
Royalty fees paid to Lin Yongjian	3.9 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 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lin Shaoxiong
Chief Executive Officer
Singapore
18 May 2015

Lin Shaoqin
Executive Director

BY ORDER OF THE BOARD

Lin Shaoxiong
Chief Executive Officer
18 May 2015