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

First Quarter Financial Statement And Related Announcement for Period Ended 31 March 2017

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 31 March 2017 and as at 31 December 2016 and the consolidated statements of comprehensive income for the quarter ended 31 March 2017 ("1Q2017") and the quarter ended 31 March 2016 ("1Q2016") 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) **It was announced on 29 August 2014 that the Company was not in a position to and will not be proceeding with the Company's trading resumption proposal.**

g) **It was announced 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.**

h) It was announced on 3 May 2017 that it is unlikely the Potential Offer will materialise. The Board understands that a substantial shareholder is considering making an offer to acquire the PRC assets and business of the Company and a Singapore law firm has been appointed to deal with the matter. The Board cautions that there is no certainty the potential acquisition will materialise.

i) The financial results disclosed in this announcement have not been reviewed or audited by 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 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	**3 months ended**		**Change**
	31 Mar 2017	**31 Mar 2016**	**%**
Revenue	470,015	323,376	45.3
Cost of goods sold	(373,354)	(254,879)	(46.5)
Gross profit	96,661	68,497	41.1
Other income	731	891	(18.0)
Selling and distribution expenses	(76,015)	(77,990)	2.5
Administrative expenses	(31,954)	(33,941)	5.9
Loss from operations	(10,577)	(42,543)	75.1
Finance costs	(41)	(30)	(36.7)
Loss before tax	(10,618)	(42,573)	75.1
Income tax expense	(12,165)	(5,306)	(129.3)
Loss attributable to shareholders	(22,783)	(47,879)	52.4

STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	3 months ended 31 Mar 2017	31 Mar 2016	Change %
Loss attributable to shareholders	(22,783)	(47,879)	52.4
Other comprehensive income - exchange differences on translating foreign operations	-	-	N/A
Total comprehensive income for the period	(22,783)	(47,879)	52.4

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

(RMB'000)	3 months ended 31 Mar 2017	31 Mar 2016	Change %
Loss before tax is arrived at after charging/(crediting) the following:			
Sundry income	(579)	(730)	20.7
Interest income	(152)	(161)	5.6
	(731)	(891)	18.0
Refurbishment expenses	7,231	14,375	49.7
Depreciation and amortisation			
- cost of goods sold	11,602	12,022	3.5
- selling and distribution expenses	924	958	3.6
- administrative expenses	2,382	2,593	8.1
	14,908	15,573	4.3
Research and development costs	11,919	9,897	20.4

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	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
NON-CURRENT ASSETS				
Property, plant and equipment	462,744	473,122	-	-
Land use rights	23,684	23,903	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	502,380	512,977	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	345,290	355,130	-	-
Trade receivables	318,239	275,167	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	4,786	6,012	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	37,784	89,670	60	60
	706,977	726,857	3,008,732	3,008,732
Total assets	1,209,357	1,239,834	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	(2,733,556)	(2,710,773)	82,458	82,458
	452,491	475,274	3,192,380	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	480,187	490,719	-	-
Accruals and other payables	164,854	171,820	2,777	2,777
Amounts due to shareholders	62,873	62,873	62,873	62,873
Current tax liabilities	48,041	38,237	-	-
	755,955	763,649	65,650	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	756,866	764,560	65,650	65,650
Total equity and liabilities	1,209,357	1,239,834	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 31 Mar 2017		As at 31 Dec 2016	
	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 31 March 2017 and as at 31 December 2016.

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 31/3/17	Group 3 months 31/3/16
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(10,618)	(42,573)
Adjustments for:		
Depreciation and amortisation	14,908	15,573
Interest expense	41	30
Interest income	(152)	(161)
Operating profit/(loss) before working capital changes	4,179	(27,131)
Decrease in inventories	9,840	33,824
Increase in trade receivables	(43,072)	(19,683)
Decrease in prepayments, deposits and other receivables	1,226	5,627
Decrease in trade payables	(10,532)	(19,019)
Decrease in accruals and other payables	(6,966)	(16,629)
Cash used in operations	(45,325)	(43,011)
Income tax paid	(2,361)	(2,618)
Interest paid	(41)	(30)
Net cash used in operating activities	(47,727)	(45,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,311)	(1,359)
Interest received	152	161
Net cash used in investing activities	(4,159)	(1,198)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(51,886)	(46,857)
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	89,670	156,890
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	37,784	110,033
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	37,784	110,033
Less: Fixed bank deposits over three months	-	-
Cash and cash equivalents	37,784	110,033

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 1/1/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,710,773)	475,274
Total comprehensive income for the financial period	-	-	-	-	-	-	(22,783)	(22,783)
Balance as at 31/3/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,733,556)	452,491
Group – Previous Period								
Balance as at 1/1/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,486,423)	699,624
Total comprehensive income for the financial period	-	-	-	-	-	-	(47,879)	(47,879)
Balance as at 31/3/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,534,302)	651,745
Company – Current Period								
Balance as at 1/1/2017	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 31/3/2017	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Company – Previous Period								
Balance as at 1/1/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 31/3/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held 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 and subsidiary holdings.

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 31 March 2017 and 31 December 2016, the share capital of the Company comprised 2,800,000,000 ordinary shares.

1(d)(iv) A statement showing all sales, transfers, 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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2017. For the current reporting period ended 31 March 2017, 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 31/3/17	3 months ended 31/3/16
Loss per share – basic (RMB cents)	(0.81) (1)	(1.71) (1)

Notes:

(1) Loss per ordinary share for 3 months ended 31 March 2017 and 31 March 2016 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
	31/3/17	**31/12/16**	**31/3/17**	**31/12/16**
Based on the issued capital at the end of the financial period/year (RMB cents)	16.16	16.97	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 1Q2017 as compared to the Group's Performance for 1Q2016

Revenue

Revenue increased by RMB146.6 million or 45.3% from RMB323.4 million in 1Q2016 to RMB470.0 million in 1Q2017. The increase was mainly due to increased orders in sports footwear in 1Q2017 as compared with 1Q2016.

The size of retail network was 4,467 ERKE Points of Sale ("**ERKE POS**") as at 31 March 2017 (31 December 2016: 4,592).

Revenue by product segments

	1Q2017		1Q2016		Revenue growth
	RMB'000	**% of revenue**	**RMB'000**	**% of revenue**	%
Footwear	367,967	78.3	182,623	56.5	101.5
Apparel	97,645	20.8	135,423	41.9	(27.9)
Accessories	4,403	0.9	5,330	1.6	(17.4)
Total	470,015	100.0	323,376	100.0	45.3

Revenue from sports footwear increased by RMB185.4 million or 101.5% from RMB182.6 million in 1Q2016 to RMB368.0 million in 1Q2017 mainly due to increased order volumes by distributors.

Revenue from sports apparel decreased by RMB37.8 million or 27.9% from RMB135.4 million in 1Q2016 to RMB97.6 million in 1Q2017 mainly due to decreased order volumes by distributors.

Revenue from sports accessories decreased by RMB0.9 million or 17.0% from RMB5.3 million in 1Q2016 to RMB4.4 million in 1Q2017 due to decreased order volumes of a variety of bags, hats and socks by distributors.

Cost of goods sold and gross profit margin

Cost of goods sold increased by RMB118.5 million or 46.5% from RMB254.9 million in 1Q2016 to RMB373.4 million in 1Q2017. This was in line with the increase in revenue.

Gross profit increased by RMB28.2 million or 41.2% from RMB68.5 million in 1Q2016 to RMB96.7 million in 1Q2017. Gross profit margin decreased from 21.2% in 1Q2016 to 20.6% in 1Q2017. Gross profit in 1Q2017 increased as compared to 1Q2016 mainly due to higher revenue as a result of increase in order volumes of sports footwear by distributors, but partially offset by decrease in order volumes of sports apparel by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses decreased by RMB3.9 million or 3.5% from RMB111.9 million in 1Q2016 to RMB108.0 million in 1Q2017. As a percentage of revenue, operating expenses has decreased from 34.6% in 1Q2016 to 23.0% in 1Q2017.

Selling and distribution expenses decreased by RMB2.0 million or 2.6% from RMB78.0 million in 1Q2016 to RMB76.0 million in 1Q2017. The major item contributing to the decrease was the advertising expenses which decreased from RMB49.4 million in 1Q2016 to RMB47.2 million in 1Q2017, and the refurbishment expenses which decreased from RMB14.4 million in 1Q2016 to RMB7.2 million in 1Q2017.

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 RMB1.9 million or 5.6% from RMB33.9 million in 1Q2016 to RMB32.0 million in 1Q2017. 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 RMB2.0 million or 20.2% from RMB9.9 million in 1Q2016 to RMB11.9 million in 1Q2017 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 RMB10.6 million in 1Q2017 as compared to a loss before tax of some RMB42.6 million in 1Q2016 and a net loss attributable to shareholders of some RMB22.8 million in 1Q2017 as compared to a net loss attributable to shareholders of some RMB47.9 million in 1Q2016.

(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 31 March 2017 as compared to the Group's Financial Position as at 31 December 2016

Bank and cash balances of the Group decreased from RMB89.7 million as at 31 December 2016 to RMB37.8 million as at 31 March 2017.

The Group recorded a net cash outflow from operating activities of some RMB47.7 million for the period ended 31 March 2017. This was mainly due to the loss before tax of some RMB10.6 million, net increase in trade receivables of some RMB43.1 million, net decrease in trade payables of some RMB10.5 million and net decrease in accruals and other payables of some RMB7.0 million.

Carrying amount of PPE decreased by RMB10.4 million or 2.2% from RMB473.1 million as at 31 December 2016 to RMB462.7 million as at 31 March 2017. This was mainly due to the depreciation amounting to some RMB14.7 million in 1Q2017 as offset by the acquisition of production machinery and office equipment of some RMB4.3 million in 1Q2017.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.2 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories decreased by some RMB9.8 million or 2.8% from RMB355.1 million as at 31 December 2016 to RMB345.3 million as at 31 March 2017.

Trade receivables increased by some RMB43.0 million or 15.6% from RMB275.2 million as at 31 December 2016 to RMB318.2 million as at 31 March 2017.

Trade payables decreased by RMB10.5 million or 2.1% from RMB490.7 million as at 31 December 2016 to RMB480.2 million as at 31 March 2017 due to settlement of outstanding trade debts in 1Q2017.

Accruals and other payables decreased by RMB3.0 million or 1.8% from RMB171.8 million as at 31 December 2016 to RMB168.8 million as at 31 March 2017.

The "Amount due to shareholders" represented amounts due to Mr Wu Rongguang and Mr Denis Wu.

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 FY2016 Results and its actual 1Q2017 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.

In view of the downturn of the China economy, the Group expects that it will continue to face challenges as market conditions are expected to remain highly competitive in the next 12 months. As a result, the Group has concerns over the reduced spending on discretionary purchases.

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 31 March 2017.

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 31 March 2017.

14. Confirmation 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 1Q2017 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
15 May 2017

Alfred Cheong
Independent Director

15. Confirmation of Directors and Executive Officers' Undertakings Pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company has procured required undertakings to comply with the Exchange's listing rules from all the Independent Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
15 May 2017