

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

Full Year Financial Statement And Related Announcement for Year Ended 31 December 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 December 2017 and as at 31 December 2016 and the consolidated statements of comprehensive income for the year ended 31 December 2017 ("FY2017") and the year ended 31 December 2016 ("FY2016") 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. It was subsequently announced on 3 May 2017 that it is unlikely the Potential Offer will materialise.

- h) It was announced on 21 September 2017 that the Company has, on 20 September 2017, entered into a conditional sale and purchase agreement with Jiayao Investments Limited in relation to the disposal of 10,000 ordinary shares, representing the entire issued and paid-up capital of Profitstart Group Limited, a wholly-owned subsidiary of the Company, for an aggregate consideration of RMB100,000,000 (the "Proposed Disposal").**
- i) It was announced on 2 October 2017 that the Company has appointed Provenance Capital Pte. Ltd. as the independent financial adviser to advise the Directors of the Company who are considered independent for the purpose of the Proposed Disposal, on whether the Proposed Disposal is on normal commercial terms, and whether the Proposed Disposal is prejudicial to the interests of the Company and its minority shareholders.**
- j) It was announced on 23 November 2017, 20 December 2017 and 14 February 2018 for a supplemental deed to the Proposed Disposal, and supplemental letter and second supplemental letter to the Proposed Disposal. The Longstop Date was extended to 20 June 2018.**
- k) 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.**

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 YEAR ENDED 31 DECEMBER

| Group (RMB'000) | 12 months ended | | Change % |
|-----------------------------------|------------------------|--------------------|---------------------------|
| | 31 Dec 2017 | 31 Dec 2016 | |
| Revenue | 1,413,552 | 1,228,951 | 15.0 |
| Cost of goods sold | (1,105,891) | (930,328) | (18.9) |
| Gross profit | 307,661 | 298,623 | 3.0 |
| Other income | 3,095 | 4,918 | (37.1) |
| Selling and distribution expenses | (341,758) | (368,964) | 7.4 |
| Administrative expenses | (89,845) | (106,236) | 15.4 |
| Other loss | (22,000) | (37,000) | 40.5 |
| Loss from operations | (142,847) | (208,659) | 31.5 |
| Finance costs | (167) | (183) | 8.7 |
| Loss before tax | (143,014) | (208,842) | 31.5 |
| Income tax expense | (12,758) | (15,508) | 17.7 |
| Loss attributable to shareholders | <u>(155,772)</u> | <u>(224,350)</u> | 30.6 |

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER

| Group (RMB'000) | 12 months ended | | Change % |
|--|------------------------|--------------------|---------------------------|
| | 31 Dec 2017 | 31 Dec 2016 | |
| Loss attributable to shareholders | (155,772) | (224,350) | 30.6 |
| Other comprehensive income | | | |
| - exchange differences on translating foreign operations | - | - | N/A |
| Total comprehensive income for the period | <u>(155,772)</u> | <u>(224,350)</u> | 30.6 |

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) | 12 months ended | | Change % |
|---|------------------------|--------------------|---------------------------|
| | 31 Dec 2017 | 31 Dec 2016 | |
| Loss before tax is arrived at after charging/(crediting) the following: | | | |
| Sundry income | (2,525) | (4,278) | (41.0) |
| Interest income | (570) | (640) | (10.9) |
| | <u>(3,095)</u> | <u>(4,918)</u> | (37.1) |
| Refurbishment expenses | 25,741 | 40,815 | (36.9) |
| Depreciation and amortisation | | | |
| - cost of goods sold | 47,812 | 48,192 | (0.8) |
| - selling and distribution expenses | 3,404 | 5,012 | (32.1) |
| - administrative expenses | 9,523 | 9,800 | (2.8) |
| | <u>60,739</u> | <u>63,004</u> | (3.6) |
| Research and development costs | 38,100 | 39,419 | (3.3) |
| Trade receivables written off (Note) | 22,000 | 37,000 | (40.5) |

Note 1: Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

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 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 430,251 | 473,122 | - | - |
| Land use rights | 23,025 | 23,903 | - | - |
| Deferred tax assets | 15,952 | 15,952 | - | - |
| Investments in subsidiaries | - | - | 249,298 | 249,298 |
| | <u>469,228</u> | <u>512,977</u> | <u>249,298</u> | <u>249,298</u> |
| CURRENT ASSETS | | | | |
| Inventories, at cost | 355,222 | 355,130 | - | - |
| Trade receivables | 326,340 | 275,167 | - | - |
| Land use rights – current portion | 878 | 878 | - | - |
| Prepayments, deposits and other receivables | 5,916 | 6,012 | - | - |
| Due from a subsidiary | - | - | 3,008,672 | 3,008,672 |
| Bank and cash balances | 23,455 | 89,670 | - | 60 |
| | <u>711,811</u> | <u>726,857</u> | <u>3,008,672</u> | <u>3,008,732</u> |
| Total assets | <u>1,181,039</u> | <u>1,239,834</u> | <u>3,257,970</u> | <u>3,258,030</u> |
| 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 | (2,866,545) | (2,710,773) | 79,770 | 82,458 |
| | <u>319,502</u> | <u>475,274</u> | <u>3,189,692</u> | <u>3,192,380</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables | 591,118 | 490,719 | - | - |
| Accruals and other payables | 161,153 | 171,820 | 3,750 | 2,777 |
| Amounts due to shareholders | 64,528 | 62,873 | 64,528 | 62,873 |
| Current tax liabilities | 43,827 | 38,237 | - | - |
| | <u>860,626</u> | <u>763,649</u> | <u>68,278</u> | <u>65,650</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities | 911 | 911 | - | - |
| Total liabilities | <u>861,537</u> | <u>764,560</u> | <u>68,278</u> | <u>65,650</u> |
| Total equity and liabilities | <u>1,181,039</u> | <u>1,239,834</u> | <u>3,257,970</u> | <u>3,258,030</u> |

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 Dec 2017 | | As at 31 Dec 2016 | |
|------------------------|--------------------------|-----------|--------------------------|-----------|
| | Secured | Unsecured | Secured | Unsecured |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing loans | - | - | - | - |

The Group does not have any outstanding borrowings and debt securities as at 31 December 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 | |
|---|-------------------------------|-------------------------------|
| | 12 months 31/12/17 | 12 months 31/12/16 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (143,014) | (208,842) |
| Adjustments for: | | |
| Depreciation and amortisation | 60,739 | 63,004 |
| Interest expense | 167 | 183 |
| Interest income | (570) | (640) |
| Operating loss before working capital changes | (82,678) | (146,295) |
| (Increase)/decrease in inventories | (92) | 57,488 |
| (Increase)/decrease in trade receivables | (51,173) | 109,245 |
| Decrease in prepayments, deposits and other receivables | 96 | 6,456 |
| Increase/(decrease) in trade payables | 100,399 | (87,619) |
| (Decrease)/increase in accruals and other payables | (10,667) | 35,400 |
| Increase in amounts due to shareholders | 1,655 | - |
| Cash used in operations | (42,460) | (25,325) |
| Income tax paid | (7,168) | (10,619) |
| Interest paid | (167) | (183) |
| Net cash used in operating activities | (49,795) | (36,127) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (16,990) | (31,733) |
| Interest received | 570 | 640 |
| Net cash used in investing activities | (16,420) | (31,093) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | |
| | (66,215) | (67,220) |
| 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 | | |
| | 23,455 | 89,670 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | 23,455 | 89,670 |
| Less: Fixed bank deposits over three months | - | - |
| Cash and cash equivalents | 23,455 | 89,670 |

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 translatio n 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 | - | - | - | - | - | - | (155,772) | (155,772) |
| Balance as at 31/12/2017 | 56,595 | 2,978,708 | 125,518 | (27,822) | 31,494 | 21,554 | (2,866,545) | 319,502 |
| 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 | - | - | - | - | - | - | (224,350) | (224,350) |
| Balance as at 31/12/2016 | 56,595 | 2,978,708 | 125,518 | (27,822) | 31,494 | 21,554 | (2,710,773) | 475,274 |
| 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 | - | - | - | - | - | - | (2,688) | (2,688) |
| Balance as at 31/12/2017 | 56,595 | 2,978,708 | - | 43,125 | 31,494 | - | 79,770 | 3,189,692 |
| 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 31/12/2016 | 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 December 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 December 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.

| | 12 months ended 31/12/17 | 12 months ended 31/12/16 |
|------------------------------------|--------------------------------|--------------------------------|
| Loss per share – basic (RMB cents) | (5.56) ⁽¹⁾ | (8.01) ⁽¹⁾ |

Notes:

- (1) Loss per ordinary share for 12 months ended 31 December 2017 and 31 December 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 31/12/17 | Group 31/12/16 | Company 31/12/17 | Company 31/12/16 |
|---|-------------------|-------------------|---------------------|---------------------|
| Based on the issued capital at the end of the financial period/year (RMB cents) | 11.41 | 16.97 | 113.92 | 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 FY2017 as compared to the Group's Performance for FY2016

Revenue

Revenue increased by RMB184.6 million or 15.0% from RMB1,229.0 million in FY2016 to RMB1,413.6 million in FY2017. The increase was mainly due to increased orders in sports footwear and that the Group closed 930 loss-making stores in FY2017.

The size of retail network was 3,728 ERKE Points of Sale ("ERKE POS") as at 31 December 2017 (31 December 2016: 4,592).

Revenue by product segments

| | FY2017 | | FY2016 | | Revenue growth |
|-------------|-----------|--------------|-----------|--------------|----------------|
| | RMB'000 | % of revenue | RMB'000 | % of revenue | % |
| Footwear | 890,297 | 63.0 | 757,112 | 61.6 | 17.6 |
| Apparel | 504,450 | 35.7 | 455,916 | 37.1 | 10.6 |
| Accessories | 18,805 | 1.3 | 15,923 | 1.3 | 18.1 |
| Total | 1,413,552 | 100.0 | 1,228,951 | 100.0 | 15.0 |

Revenue from sports footwear increased by RMB133.2 million or 17.6% from RMB757.1 million in FY2016 to RMB890.3 million in FY2017 mainly due to increased order volumes by distributors.

Revenue from sports apparel increased by RMB48.6 million or 10.7% from RMB455.9 million in FY2016 to RMB504.5 million in FY2017 mainly due to increased order volumes by distributors.

Revenue from sports accessories increased by RMB2.9 million or 18.2% from RMB15.9 million in FY2016 to RMB18.8 million in FY2017 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 increased by RMB175.6 million or 18.9% from RMB930.3 million in FY2016 to RMB1,105.9 million in FY2017. This was in line with the increase in revenue.

Gross profit increased by RMB9.1 million or 3.0% from RMB298.6 million in FY2016 to RMB307.7 million in FY2017. Gross profit margin decreased from 24.3% in FY2016 to 21.8% in FY2017. Gross profit in FY2017 increased as compared to FY2016 mainly due to higher revenue as a result of increase in order volumes of sports footwear by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses decreased by RMB43.6 million or 9.2% from RMB475.2 million in FY2016 to RMB431.6 million in FY2017. As a percentage of revenue, operating expenses has decreased from 38.7% in FY2016 to 30.5% in FY2017.

Selling and distribution expenses decreased by RMB27.2 million or 7.4% from RMB369.0 million in FY2016 to RMB341.8 million in FY2017. The major item contributing to the increase was the advertising expenses which decreased from RMB210.6 million in FY2016 to RMB201.7 million in FY2017, and the refurbishment expenses which decreased from RMB40.8 million in FY2016 to RMB25.7 million in FY2017.

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 RMB16.4 million or 15.4% from RMB106.2 million in FY2016 to RMB89.8 million in FY2017. The Group has continued to exercise tight control over administrative expenses.

The major item of administrative expenses was research and development costs which decreased by RMB1.3 million or 3.3% from RMB39.4 million in FY2016 to RMB38.1 million in FY2017 due to the lower staff costs and the costs of the materials used for R&D.

Other loss represented trade receivables written off. Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

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 RMB143.0 million in FY2017 as compared to a loss before tax of some RMB208.8 million in FY2016 and a net loss attributable to shareholders of some RMB155.8 million in FY2017 as compared to a net loss attributable to shareholders of some RMB224.4 million in FY2016.

(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 December 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 RMB23.5 million as at 31 December 2017.

The Group recorded a net cash outflow from operating activities of some RMB49.8 million for the period ended 31 December 2017. This was mainly due to the loss before tax of some RMB143.0 million, net increase in trade receivables of some RMB51.2 million and net increase in trade payables of some RMB100.4 million.

Carrying amount of PPE decreased by RMB42.8 million or 9.0% from RMB473.1 million as at 31 December 2016 to RMB430.3 million as at 31 December 2017. This was mainly due to the depreciation amounting to some RMB59.9 million in the year ended 31 December 2017 as offset by the acquisition of production machinery and office equipment of some RMB17.0 million in the year ended 31 December 2017.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.9 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories increased by some RMB0.1 million or 0.1% from RMB355.1 million as at 31 December 2016 to RMB355.2 million as at 31 December 2017.

Trade receivables increased by some RMB51.1 million or 18.6% from RMB275.2 million as at 31 December 2016 to RMB326.3 million as at 31 December 2017. Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

Trade payables increased by RMB100.4 million or 20.5% from RMB490.7 million as at 31 December 2016 to RMB591.1 million as at 31 December 2017. The increase was because of increase in trade payables which were due in first half of 2018.

Accruals and other payables decreased by RMB10.6 million or 6.2% from RMB171.8 million as at 31 December 2016 to RMB161.2 million as at 31 December 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 3Q2017 Results and its actual 4Q2017 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.

On 21 September 2017, the Company had announced the disposal of the entire underlying business of the Group, via the sale of 100% of Profitstart Group Limited ("Target Company" and together with its subsidiaries, the "Target Group") to Jiayao Investments Limited ("Purchaser") for a consideration of RMB100 million. The Company wishes to clarify that the Company and the Purchaser had agreed, as part of the terms of the Proposed Disposal, to waive the amount due from the Target Group which amounted to RMB3,008.7 million as at 30 June 2017. As a consequence of the waiver, the Adjusted NAV of the Target Group would then be RMB470,735,000 as at 30 June 2017.

Further information on the Proposed Disposal will be set out in a circular to shareholders. It is expected that the circular will be sent to shareholders shortly.

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 cash control. The Company's cash position was RMB23.5 million as at 31 December 2017. The Company can continue to operate on a going concern basis so long as the controlling shareholders continue to support the Company's operations.

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 year ended 31 December 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 year ended 31 December 2017.

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.

The Group is principally engaged in design, manufacture and sales of sports shoes, sports apparel and sports accessories in the PRC and all of its distributors are based in the PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no segmental analysis is presented.

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.

Please refer to item 8 above.

16. Breakdown of sales.

| (RMB'000) | FY2017 | FY2016 | Change % |
|--|---------------|---------------|-----------------|
| Sales reported for the first half year | 771,340 | 633,547 | 21.7 |
| Loss after taxation for the first half year | (71,639) | (102,819) | 30.3 |
| Sales reported for the second half year | 642,212 | 595,404 | 7.9 |
| Loss after taxation for the second half year | (84,133) | (121,531) | 30.8 |

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Nil.

18. Disclosure of person occupying a managerial position in the issue or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Pursuant to Rule 704(13) of the Listing Manual, the Board wishes to confirm that there are no person occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
1 March 2018

Statement Pursuant to SGX Listing Rule 720(1) of the Listing Manual

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured required undertakings to comply with the Exchange's listing rules from all the Independent Directors and Executive Officers of the Company.

On behalf of the Board of Directors

Bernard Tay
Independent Director
1 March 2018

Alfred Cheong
Independent Director