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

First Quarter Financial Statement And Related Announcement for Period Ended 31 March 2014

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 2014 and as at 31 December 2013 and the consolidated statements of comprehensive income for the quarter ended 31 March 2014 ("1Q2014") and the quarter ended 31 March 2013 ("1Q2013") 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 has 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 has re-submitted its trading resumption proposal to SGX-ST.**

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

g) **On 29 August 2014, 2 October 2014, 31 October 2014 and 1 December 2014, the Company announced that it was not in a position to and will not be proceeding with the trading resumption proposal and was undertaking all strategic options available to the Company.**

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

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

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

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

1 (a)(i) UNAUDITED INCOME STATEMENT FOR 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	**3 months ended**		**Change**
	31 Mar 2014	**31 Mar 2013**	**%**
Revenue	429,416	481,791	(10.9)
Cost of goods sold	(350,265)	(426,269)	(17.8)
Gross profit	79,151	55,522	42.6
Other income	1,186	225	427.1
Selling and distribution expenses	(104,241)	(90,623)	15.0
Administrative expenses	(32,189)	(37,151)	(13.4)
Loss from operations	(56,093)	(72,027)	(22.1)
Finance costs	(28)	(25)	12.0
Loss before tax	(56,121)	(72,052)	(22.1)
Income tax credit/(expense)	321	(1,120)	(128.7)
Loss attributable to shareholders	(55,800)	(73,172)	(23.7)

STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	**3 months ended** 31 Mar 2014	31 Mar 2013	**Change** %
Loss attributable to shareholders	(55,800)	(73,172)	(23.7)
Other comprehensive income - exchange differences on translating foreign operations	-	-	
Total comprehensive income for the period	(55,800)	(73,172)	(23.7)

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 2014	31 Mar 2013	**Change** %
Loss before tax is arrived at after charging/(crediting) the following:			
Sundry income	(1,076)	(103)	944.7
Interest income	(110)	(122)	(9.8)
	(1,186)	(225)	427.1
Refurbishment expenses	44,023	10,081	336.7
Depreciation and amortisation			
- cost of goods sold	13,908	14,978	(7.1)
- selling and distribution expenses	942	894	5.4
- administrative expenses	2,806	2,646	6.0
	17,656	18,518	(4.7)
Research and development costs	8,216	6,448	27.4

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 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
NON-CURRENT ASSETS				
Property, plant and equipment	624,698	640,977	-	-
Land use rights	26,317	26,535	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	666,967	683,464	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	491,691	490,940	-	-
Trade receivables	837,019	1,023,470	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	3,542	8,213	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	251,202	166,214	61	61
	1,584,332	1,689,715	3,008,733	3,008,733
Total assets	2,251,299	2,373,179	3,258,031	3,258,031
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	(1,666,048)	(1,610,248)	86,093	86,093
	1,519,999	1,575,799	3,196,015	3,196,015
LIABILITIES				
Current liabilities				
Trade payables	489,604	573,548	-	-
Accruals and other payables	171,077	151,985	32,523	32,523
Amount due to executive director	29,493	29,493	29,493	29,493
Current tax liabilities	40,215	41,443	-	-
	730,389	796,469	62,016	62,016
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	731,300	797,380	62,016	62,016
Total equity and liabilities	2,251,299	2,373,179	3,258,031	3,258,031

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 2014		As at 31 Dec 2013	
	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 2014 and as at 31 December 2013.

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 31/3/14	Group 3 months 31/3/13
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(56,121)	(72,052)
Adjustments for:		
Depreciation and amortisation	17,656	18,518
Interest expense	28	25
Interest income	(110)	(122)
Operating loss before working capital changes	(38,547)	(53,631)
Increase in inventories	(751)	(7,376)
Decrease/(increase) in trade receivables	186,451	(25,498)
Decrease in prepayments, deposits and other receivables	4,671	18,624
Decrease in trade payables	(83,944)	(77,931)
Increase/(decrease) in accruals and other payables	19,092	(9,415)
Cash used in operations	86,972	(155,227)
Income tax paid	(907)	(2,955)
Interest paid	(28)	(25)
Net cash generated from/(used in) operating activities	86,037	(158,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,159)	-
Interest received	110	122
Net cash (used in)/generated from investing activities	(1,049)	122
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	84,988	(158,085)
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	166,214	280,156
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	251,202	122,071
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	251,202	122,071
Less: Fixed bank deposits over three months	-	-
Cash and cash equivalents	251,202	122,071

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 1/1/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,610,248)	1,575,799
Total comprehensive income for the financial period	-	-	-	-	-	-	(55,800)	(55,800)
Balance as at 31/3/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,666,048)	1,519,999
Group – Previous Period								
Balance as at 1/1/2013 (restated)	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,240,986)	1,945,061
Total comprehensive income for the financial period	-	-	-	-	-	-	(73,172)	(73,172)
Balance as at 31/3/2013	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,314,158)	1,871,889
Company – Current Period								
Balance as at 1/1/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 31/3/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015
Company – Previous Period								
Balance as at 1/1/2013	56,595	2,978,708	-	43,125	31,494	-	94,308	3,204,230
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,711)	(3,711)
Balance as at 31/3/2013	56,595	2,978,708	-	43,125	31,494	-	90,597	3,200,519

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

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

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

As at 31 March 2014 and 31 December 2013, the share capital of the Company comprised 2,800,000,000 ordinary shares.

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

The Company does not have any treasury shares.

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

These figures have neither been audited nor reviewed. Please also refer to 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 2014. For the current reporting period ended 31 March 2014, 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 31/3/14	3 months ended 31/3/13
Loss per share – basic (RMB cents)	(1.99) [(1)]	(2.61)[(1)]

Notes:

(1) Loss per ordinary share for 3 months ended 31 March 2014 and 31 March 2013 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**
	31/3/14	**31/12/13**	**31/3/14**	**31/12/13**
Based on the issued capital at the end of the financial period/year (RMB cents)	54.29	56.28	114.14	114.14
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 1Q2014 as compared to the Group's Performance for 1Q2013

Revenue

Revenue decreased by RMB52.4 million or 10.9% from RMB481.8 million in 1Q2013 to RMB429.4 million in 1Q2014.

The size of retail network was 6,132 ERKE Points of Sale ("**ERKE POS**") as at 31 March 2014 (31 December 2013: 6,189).

Revenue by product segments

	1Q2014		1Q2013		Revenue growth
	RMB'000	% of revenue	RMB'000	% of revenue	%
Footwear	245,588	57.2	208,086	43.2	18.0
Apparel	181,288	42.2	246,533	51.2	(26.5)
Accessories	2,540	0.6	27,172	5.6	(90.7)
Total	429,416	100.0	481,791	100.0	(10.9)

Revenue from sports footwear increased by RMB37.5 million or 18.0% from RMB208.1 million in 1Q2013 to RMB245.6 million in 1Q2014 mainly due to increased order volumes by distributors.

Revenue from sports apparel decreased by RMB65.2 million or 26.5% from RMB246.5 million in 1Q2013 to RMB181.3 million in 1Q2014 mainly due to decreased order volumes by distributors.

Revenue from sports accessories decreased by RMB24.7 million or 90.8% from RMB27.2 million in 1Q2013 to RMB2.5 million in 1Q2014 due to decreased order volumes of a variety of bags, hats and socks by distributors. The Company understands from its ERKE POS operators and distributors that the stronger demand for these bags, hats and socks in 1Q2013 is due to the launch of the "Micro-Collar Tee" product series and corresponding introduction of related accessories to this product series. In addition, sports accessories were offered to consumers in 1Q2013 at a discount for the purchase of sports footwear and/or sports apparel as a means of marketing strategy.

Cost of goods sold and gross profit margin

Cost of goods sold decreased by RMB76.0 million or 17.8% from RMB426.3 million in 1Q2013 to RMB350.3 million in 1Q2014. This was in line with the decrease in revenue.

Gross profit increased by RMB23.7 million or 42.7% from RMB55.5 million in 1Q2013 to RMB79.2 million in 1Q2014. Gross profit margin increased from 11.5% in 1Q2013 to 18.4% in 1Q2014. Gross profit in 1Q2014 increased as compared to 1Q2013 due to sale of comparatively higher margin products.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by RMB8.6 million or 6.7% from RMB127.8 million in 1Q2013 to RMB136.4 million in 1Q2014. As a percentage of revenue, operating expenses has increased from 26.5% in 1Q2013 to 31.8% in 1Q2014.

Selling and distribution expenses increased by RMB13.6 million or 15.0% from RMB90.6 million in 1Q2013 to RMB104.2 million in 1Q2014 mainly due to higher refurbishment expenses of some RMB44.0 million in 1Q2014.

Administrative expenses decreased by RMB5.0 million or 13.4% from RMB37.2 million in 1Q2013 to RMB32.2 million in 1Q2014 mainly because the Group exercised tight control over administrative expenses.

Research and development costs increased by RMB1.8 million or 28.1% from RMB6.4 million in 1Q2013 to RMB8.2 million in 1Q2014 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.

Loss attributable to shareholders

The Group recorded a loss before tax of some RMB56.1 million in 1Q2014 as compared to a loss before tax of some RMB72.1 million in 1Q2013 and a net loss attributable to shareholders of some RMB55.8 million in 1Q2014 as compared to a net loss attributable to shareholders of some RMB73.2 million in 1Q2013.

(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 2014 as compared to the Group's Financial Position as at 31 December 2013

Bank and cash balances of the Group increased from RMB166.2 million as at 31 December 2013 to RMB251.2 million as at 31 March 2014.

The Group recorded a net cash inflow from operating activities of some RMB86 million for the period ended 31 March 2014. This was mainly due to the loss before tax of some RMB56.1 million and a net decrease in trade payables of some RMB83.9 million which were offset by the net decrease in trade receivables of some RMB186.5 million.

Carrying amount of PPE decreased by RMB16.3 million from RMB641.0 million as at 31 December 2013 to RMB624.7 million as at 31 March 2014. This was mainly due to depreciation amounting to some RMB17.4 million in 1Q2014 as offset by the acquisition of production machinery and office equipment of some RMB1.1 million in 1Q2014.

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 increased by 0.2% from RMB490.9 million as at 31 December 2013 to RMB491.7 million as at 31 March 2014.

Trade receivables decreased by some RMB186.5 million or 18.2% from RMB1,023.5 million as at 31 December 2013 to RMB837.0 million as at 31 March 2014. This was mainly due to the comparatively lower sales in 4Q2013 (RMB490.5 million).

Trade payables decreased by RMB83.9 million or 14.6% from RMB573.5 million as at 31 December 2013 to RMB489.6 million as at 31 March 2014 due to settlement in 1Q2014.

The "Amount due to executive director" relates to payments made by an executive director, Mr Wu Rongguang, on behalf of the Company to professionals in connection to the Independent Investigation and the Company's trading resumption. No repayments were made to Mr Wu Rongguang in 1Q2014. This was to avoid straining the Group's cash flow and available working capital for operations.

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

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

No forecast or prospect statement has been previously disclosed to shareholders.

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

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

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 2014.

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 2014.

BY ORDER OF THE BOARD

Wu Rongguang
Chairman
4 December 2014

Statement Pursuant to SGX Listing Rule 705(4) 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 1Q2014 financial results to be materially false or misleading.

On behalf of the Board of Directors

Wu Rongguang
Chairman
4 December 2014

Alfred Cheong
Independent Director