

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2015 (in RMB)

(RMB '000)	Fourth Quarter		Change %	Full Year		Change %
	Unaudited 2015	Audited 2014		Unaudited 2015	Audited 2014	
Revenue	52,340	211,372	(75.2)	243,500	825,883	(70.5)
Cost of sales	(42,657)	(175,690)	(75.7)	(198,697)	(669,593)	(70.3)
Gross profit	9,683	35,682	(72.9)	44,803	156,290	(71.3)
Other operating income	6,910	781	784.8	7,585	3,728	103.5
Selling and distribution expenses	(2,983)	(12,080)	(75.3)	(90,952)	(45,274)	100.9
Administrative expenses	(12,415)	(74,186)	(83.3)	(515,179)	(91,252)	464.6
Finance costs	(629)	(2,054)	(69.4)	(6,012)	(7,892)	(23.8)
(Loss)/Profit before income tax	566	(51,857)	101.1	(559,755)	15,600	3,688.2
Taxation	-	12,523	100.0	-	(5,002)	(100.0)
(Loss)/Profit for the period	566	(39,334)	101.4	(559,755)	10,598	5,381.7
Gross profit margin	18.5%	16.9%		18.4%	18.9%	
Profit before income tax margin	1.1%	-24.5%		-229.9%	1.9%	
Net profit margin	1.1%	-18.6%		-229.9%	1.3%	

STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2015 (in RMB)

(RMB '000)	Fourth Quarter		Change	Full Year		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2015	2014	%	2015	2014	%
(Loss)/Profit for the period	566	(39,334)	101.4	(559,755)	10,598	5,381.7
Other comprehensive income for the period	(449)	218	(306.0)	(623)	418	(249.0)
Total comprehensive income for the period	117	(39,116)	100.3	(560,378)	11,016	5,186.9

1(a)(ii) Other Information

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

(RMB '000)	Fourth Quarter		Change %	Full Year		Change %
	2015	2014		2015	2014	
(a) Income statement includes the following:						
Interest paid on borrowings	(629)	(2,054)	(69.4)	(5,961)	(7,892)	(24.5)
Depreciation of property, plant and equipment	(2,677)	(2,724)	(1.7)	(10,708)	(11,735)	(8.8)
Amortisation of land use rights	(91)	(90)	1.1	(364)	(363)	0.3
Amortisation of intangible assets	(133)	(143)	(7.0)	(561)	(571)	(1.8)
Impairment loss on trade receivables	-	(61,397)	100.0	(487,378)	(61,397)	100.0
Impairment loss on interest receivables	-	(4,632)	100.0	-	(4,632)	100.0
Lease payments under operating lease for leasehold buildings	(240)	(240)	-	(960)	(960)	-
Salaries and related costs						
- Director remuneration	(343)	(582)	(41.1)	(2,094)	(2,333)	(10.2)
- Key personnel	(280)	(217)	29.0	(1,185)	(1,122)	5.6
Exchange (loss)/gain	192	194	(1.0)	246	469	(47.5)
(b) Other operating income comprises mainly						
Reversal of impairment on trade receivables	6,793	-		6,793	-	100.0
Interest income	117	587	(80.1)	607	2,621	(76.8)

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

(RMB '000)	Group	Group	Company	Company
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	103,041	113,749	1	13
Land use rights/Intangible assets	16,146	17,070	-	-
Deferred tax asset	44,244	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>163,431</u>	<u>175,063</u>	<u>459,987</u>	<u>459,999</u>
Current assets				
Inventories	17,633	26,111	-	-
Amount due from subsidiary	-	-	90,047	90,018
Trade receivables	82,541	429,904	-	-
Prepayments, other receivables and deposits	139,316	120,691	9	10
Pledged bank deposits	-	45,875	-	-
Cash and cash equivalents	154,427	532,506	16	19
	<u>393,917</u>	<u>1,155,087</u>	<u>90,072</u>	<u>90,047</u>
Less: Current liabilities				
Trade and bills payables	19,537	147,534	-	-
Amount owing to director	8,014	5,487	3,822	3,158
Accrued liabilities and other payables	50,263	62,517	5,973	3,969
Amount due to a subsidiary	-	-	23,675	22,854
Interest-bearing bank borrowings	-	74,700	-	-
	<u>77,814</u>	<u>290,238</u>	<u>33,470</u>	<u>29,981</u>
Net current assets	<u>316,103</u>	<u>864,849</u>	<u>56,602</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>472,157</u>	<u>1,032,535</u>	<u>516,589</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	2,862	3,485	2,892	3,829
Retained earnings	(216,253)	343,502	(83,112)	(80,573)
Shareholders' equity	<u>472,157</u>	<u>1,032,535</u>	<u>516,589</u>	<u>520,065</u>
Total equity	<u>472,157</u>	<u>1,032,535</u>	<u>516,589</u>	<u>520,065</u>

	Unaudited RMB'000 31/12/2015	Audited RMB'000 31/12/2014
Inventory turnover (days)	27	15
Trade receivable (days)	123	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 31/12/2015		As at 31/12/2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	91,750	-
Interest-bearing loans	-	-	74,700	-
	-	-	166,450	-

Amount repayable after one year

	As at 31/12/2015		As at 31/12/2014	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	-	-	-	-
	-	-	-	-

Details of any collateral

The interest-bearing loan for our subsidiary, Hengfa (Fujian) Light Industry Development Co., Ltd. ("**Hengfa**"), as at 31 December 2014 was 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 30 September 2015 and as at 31 December 2014 was 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.

There are no outstanding interest-bearing loan and bill payables as at year ended 31 December 2015

1(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)	Fourth Quarter		Full Year	
	Unaudited 2015	Unaudited 2014	Unaudited 2015	Audited 2014
Cashflows from operating activities				
(Loss)/Profit before income tax	566	(51,857)	(559,755)	15,600
Adjustments for:				
Interest income	(117)	(587)	(607)	(3,208)
Depreciation of property, plant and equipment	2,677	2,724	10,708	11,735
Amortisation of land use rights/intangible assets	224	233	925	934
Impairment loss on trade receivables	-	61,397	487,378	61,397
Impairment loss on interest receivables	-	4,632	-	4,632
Reversal on impairment loss on trade receivables	(6,793)		(6,793)	
Interest expenses	629	2,054	5,961	7,892
Exchange difference in translation	(192)	(192)	(499)	(554)
Operating profit before working capital changes	(3,006)	18,404	(62,682)	98,428
Decrease/ (increase) in inventories	(2,060)	(6,936)	8,478	(5,939)
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	166	(204,326)	(151,847)	(234,280)
Increase/(decrease) in trade payables and bill payables	1,873	(27,807)	(127,997)	(16,496)
Increase / (decrease) in accrued liabilities and other payable	(12,164)	16,186	(12,254)	4,719
Cash (used in) / from operations	(15,191)	(204,479)	(346,302)	(153,568)
Interest received	117	587	607	3,208
Interest paid	(629)	(2,054)	(5,961)	(7,892)
Income tax paid	-	-	-	-
Net cash (used in) / from operating activities	(15,703)	(205,946)	(351,656)	(158,252)
Cashflows from investing activities				
Refund of Investments	-	-	-	43,713
Purchases of property, plant and equipment	-	-	-	(132)
Net cash (used in) / from investing activities	-	-	-	43,581
Cashflows from financing activities				
Increase / (decrease) in amount owing to director	1	2,686	2,527	2,859
Proceeds from bank loans	-	2,900	22,500	104,300
Repayment of bank loans	(22,500)	(35,900)	(97,200)	(138,500)
Increase / (decrease) in pledged deposits	35,163	18,935	45,875	(15,935)
Net cash from / (used in) financing activities	12,664	(11,379)	(26,298)	(47,276)
Net (decrease) / increase in cash and cash equivalents	(3,039)	(217,325)	(377,954)	(161,947)
Cash and cash equivalents at beginning of period	157,723	749,831	532,506	694,301
Effects of exchange rate fluctuation	(257)	-	(125)	152
Cash and cash equivalents at end of period	154,427	532,506	154,427	532,506

(RMB '000)	Fourth Quarter		Full Year	
	Unaudited 2015	Unaudited 2014	Unaudited 2015	Audited 2014

Analysis of the balances of cash and cash equivalents

Cash and bank balances	154,427	532,506	154,427	532,506
Cash and cash equivalents per share (Cents)	16.06	55.38	16.06	55.38
Number of shares at balance sheet date	961,538,000	961,538,000	961,538,000	961,538,000

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	-	-	-	-	-	(623)	-	(559,755)	(560,378)
At 31 December 2015	36,570	560,135	(226)	801	330	2,862	87,938	(216,253)	472,157
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	-	-	-	-	-	-	-	(3,476)	(3,476)
At 31 December 2015	36,570	560,135	(226)	-	330	-	-	(80,220)	516,589

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 year ended 31 December 2015 and no outstanding convertibles held as at 31 December 2015.

Treasury shares

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

	Company 31 Dec 2015	31 Dec 2014	Company 31 Dec 2015	31 Dec 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 December 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 year ended 31 December 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 December 2014.

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.

	Fourth Quarter		Full Year	
	2015	2014	2015	2014
(Loss)/Profit after income tax (RMB'000)	566	(39,334)	(566,287)	(156,881)
Basic (loss)/ earnings per share (RMB cents)	00.01	(4.09)	(58.28)	(16.32)
Diluted (loss)/earnings per share (RMB cents)	00.01	(4.09)	(58.28)	(16.32)

The basic (loss)/ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during fourth quarter ended 31 December 2015 and the year ended 31 December 2015, which were 961,538,000 and 961,538,000 shares, respectively. The weighted average ordinary shares for the fourth quarter ended 31 December 2014 and year ended 31 December 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 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2014
Net asset value as at the end of the respective period (RMB'000)	472,157	1,032,535	516,589	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)	49.10	107.38	53.72	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 December 2015 ("4Q 15"), our Group recorded revenue of approximately RMB 52.3 million, a decrease of approximately RMB 159 million or 75% over revenue of approximately RMB 211.4 million for the previous corresponding period ("4Q 14"). For the twelve months ended 31 December 2015, ("FY 15"), revenue decreased by approximately RMB 582.3 million or 71% to approximately RMB 243.5 million from approximately RMB 825.9 million in the previous corresponding period ("FY 14").

The decrease in revenue in FY 15 and 4Q 15 were 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 revenue in FY 15 and 4Q 15. Moreover, there is no enhanced features and functionality of our products, thus making it harder to entice the distributors. Quarter on quarter, revenue in 4Q 15 increased by RMB 20 million or 63% to RMB 52.3 million from approximately RMB 32.3 million in 3Q 15 which is mainly due to increase sales order from OEM suppliers in last quarter of FY 15.

Breakdown of revenue by business lines

(RMB million)	4Q 15	%	4Q 14	%	FY 15	%	FY 14	%
Footwear	52.3	100	192.9	91.2	243.5	100.0	766.6	92.8
Apparel	-	-	18.5	8.8	-	-	59.3	7.2
Total Revenue	52.3	100	217.6	100.0	243.5	100.0	614.5	100.0

Breakdown of footwear revenue by segment

(RMB million)	4Q 15	%	4Q 14	%	FY 15	%	FY 14	%
YELI footwear	15.6	29.8	125.4	65.0	132.2	54.3	555.7	72.5
OEM footwear	36.7	70.2	67.5	35.0	111.3	45.7	210.9	27.5
Total footwear	52.3	100.0	192.9	100.0	243.5	100.0	573.7	100.0

Footwear

In FY 15, footwear products recorded approximately RMB 243.5 million in sales, representing a decrease of approximately RMB 523.1 million or approximately 71% over sales of footwear products of approximately RMB 766.6 million in FY 14.

The decreases in revenue in FY 15 and 4Q 15 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 view of the persistent weakening retail sportswear market and of intensified price competition, our distributors have also closed down the sales outlet by more than half as compared to FY 14.

In FY 15, our Yeli footwear sales was approximately RMB 132.2 million which represented 54% of our Yeli revenue and of our total revenue as compared to 73% and 91.2% of our YELI revenue and of our total revenue in FY 14.

In 4Q 15, our Group recorded Yeli footwear revenue of approximately RMB 15.6 million, a decrease of approximately RMB 109.8 million or 87.5% over revenue of approximately RMB 125.4 million in 4Q 14.

The decrease in OEM footwear revenue in FY 15 was mainly attributable to decreased orders from our existing customers and weaker consumer demand in oversea market. 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 in FY 15 and 4Q 15 from approximately RMB 210.9 million to RMB 111.3 million and from approximately RMB 67.5 million to RMB 36.7 million respectively. In 4Q 15, our Group have a net profit amounting to RMB 566 thousand mainly contributed by sales orders increased from OEM customers which representing 70.2% or RMB 36.7 million of total footwear revenue in 4Q 15

Apparel

In FY 15 and 4Q 15, our Group recorded no apparel revenue as compared to FY 14 and 4Q 14 and this is a decrease of approximately RMB 59.3 million and RMB 18.5 million respectively. This resulted from our strategic decision to discontinue our Yeli apparel business in 2015.

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

	FY 15	FY 14	Growth
Points-of-sale	Over 330*	Over 1,205*	(73)%
YELI specialty stores	Over 35	Over 175	(80)%

* 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 73% from over 1,205 points of sale as at 31 December 2014 to over 330 point of sale as at 31 December 2015. Over the same period, the number of specialty stores decreased by 80% from over 175 to over 35. Our Group will continue to execute our strategy to improve the mix of our points of sale.

Due to the poor market economic outlook and weak response to our YELI breathable shoes, our Group's distributors have since closed down majority 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 and vary the product line-up with greater emphasis on breathable shoes. Our Group has subsidised the distributors in regards of restoration cost incurred by them.

Cost of goods sold and gross profit margin

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 337.8 million or 68% from approximately RMB 669.6 million in FY 14 to approximately RMB 198 million in FY 15.

In line with the revenue decrease in 4Q 15 from 4Q 14, our cost of sales decreased by approximately RMB 133 million or 76% from approximately RMB 175 million in 4Q 14 to approximately RMB 42.7 million in 4Q 15.

Gross profit margin by product segment:

	4Q 15	4Q 14	Growth	FY 15	FY 14	Growth
Footwear	18.5%	16.9%	1.6%	18.4%	18.4%	-
Apparel	-	8.6%	(8.6%)	-	9.0%	(9.0%)
Overall GP margin	18.5%	16.9%	1.6%	18.4%	18.9%	(0.5%)

Our gross profit decreased by approximately RMB 111.5 million or 71% from approximately RMB 156.3 million in FY 14 to approximately RMB 44.8 million in FY 15 as a result of lower volume of footwear products being sold and no more sale of apparels. Our overall gross profit margin slightly reduced by 0.5% in FY 15 despite the lower volume of footwear products as we no longer sell low margin apparel products in 2015.

In 4Q 15, our gross profit margin increased by 7.2% from approximately 16.9% in 4Q 14 to 18.5% in 4Q 15. Quarter-on-quarter, our overall gross profit margin increased from 16.9% in 3Q 15 to 18.5% in 4Q 15. The increase of overall gross profit margin was mainly due to the increase in volume of OEM footwear products being sold in 4Q 15.

Other operating income

Other operating income comprises interest income from bank deposits and exchange differences. Without considering the realised exchange gain of approximately RMB 0.2 million recorded in FY 15, there is a decrease in interest income in FY 15 which was due to lower bank balances during the period as compared to corresponding period in 2014 and the interest income in 3Q 15 was comparable to 3Q 14 due to privileged interest rate offered by the bank on attracting deposit. In 4Q 15, our Group have a made a reversal of impairment of trade receivables amounting to RMB 6.8 million for the reason of one of the distributor made payment in 4Q 15.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 469.6 million or 344% from approximately RMB 136.5 million in FY 14 to approximately RMB 606.1 million in FY 15. As a percentage of revenue, operating expenses increase to approximately 249 % in FY 15 from approximately 16.5% in FY 14.

The main increase in total operating expenses came from administrative expenses which increase by approximately RMB 424 million or 466% from approximately RMB 91.2 million in FY 14 to approximately RMB 515.2 million in FY 15 while administrative expenses in 4Q 15 decreased by approximately RMB 61.8 million or 83% from approximately RMB 74.2 million to approximately RMB 12.5 million in 4Q 15. The increase for FY 15 is due to the impairment loss on trade receivables of approximately RMB 487.4 million being recognised in 9M 2015. We have tried all ways of collecting our trade receivables back but the collection has been slow due to the poor economic outlook. In view of this, we have made impairment loss on trade receivables in 9M 15. In 4Q 15, we have received partial payment from one of the distributor amounting to RMB 2.4 million which resulting a reversal of impairment on trade receivable amounting to RMB 6.8 million in other operating income.

Selling and distribution expenses increased by approximately RMB 45.7 million or 101% from approximately RMB 45.3 million in FY 14 to approximately RMB 91 million in FY 15 while selling and distribution expenses in 3Q 15 decreased by approximately RMB 9.1 million or 75% from approximately RMB 12.1 million to approximately RMB 2.9 million in 4Q 15. The Group had only spent RMB 0.5 million and RMB 11.3 million in 4Q 15 and FY 15 respectively, 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 33.5 million and RMB 8.8 million in FY 14 and 4Q 14, respectively. The decrease in spending in advertising is due to poor economic outlook and no enhanced features of the footwear products being produced. In addition, the Group has incurred approximately RMB 66.5 million to help to subsidize the distributors in closing their stores which mainly comprise of restoration fee in 9M 2015 which resulting overall selling and distribution expenses increased significantly.

Finance costs

Finance costs in FY 15 and 4Q 15 decreased by approximately RMB 2.4 million or 31% and approximately RMB 1.4 million or 70% as compared to FY 14 and 4Q 14 respectively. The decrease was due to lower outstanding bank loans in FY 15 and 4Q 15 as compared to 9M 14 and 3Q 14 respectively.

Income tax

Income tax expense in FY 15 and 4Q 15 of approximately RMB Nil and RMB Nil million reported respectively, were due to loss incurred in FY 15 from our operating subsidiaries in PRC as compared to the profit registered in FY 14 and 4Q 14 respectively.

(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 10.7 million from approximately RMB 113.8 million as at 31 December 2014 to approximately RMB 103.1 million as at 31 December 2015. This was mainly attributed to the depreciation charge of the property, plant and equipment during the period of approximately RMB 10.7 million.

Land use rights and intangible assets as at 31 December 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. There is no utilisation of deferred tax asset for FY 2015 due to the loss incurred and 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 8.5 million from approximately RMB 26.1 million as at 31 December 2014 to approximately RMB 17.6 million as at 31 December 2015. The Group tried to maintain a lower level of inventories due to uncertain economic outlook.

Trade receivables decreased from approximately RMB 429.9 million as at 31 December 2014 to approximately RMB 82.5 million as at 31 December 2015 mainly due to slow collection from customers and thus an impairment loss of RMB 480.6 million of trade receivables (net of reversal of impairment in 4Q 2015) recognised in FY 15. Our trade receivables turnover days were in the range of 30-120 days. The Group has decided to stop selling to the existing distributors who have not been paying on time from 3Q 15 onwards and also to implement a more tightening credit control to both new and existing distributors in the collection.

Aging of trade receivables is set out as follows:

	(RMB million)	%
Current (less than 30 days) –	26.6	32.2
31 to 60 days –	22.3	27.0
61 to 90 days –	12.3	14.9
Over 90 days	21.3	25.9
Total	<u>82.5</u>	<u>100.0</u>

Other receivables and prepayment increased from approximately RMB 120.6 million as at 31 December 2014 to approximately RMB 139.3 million as at 31 December 2015.

The balance consisted mainly of advance payments made to existing suppliers of approximately RMB 26.3 million to lock in raw materials prices and the advance payment to a marketing agency of approximately RMB 20.1 million and RMB 36 million prepayment made to an academic researcher to conduct a long term strategic course for key management and main distributors which included an on-going monitoring programme. 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 December 2015, we had cash and cash equivalents of approximately RMB 154.4 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 December 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 19.5 million as at 31 December 2015. This was due to prompt payment made to suppliers to secure better trade terms and lesser purchases during FY 15 in view of the reduction in overall business activities.

Accrued liabilities, other payables (included wages payables, accrued utilities expenses) and amount owing to a director decreased from approximately RMB 68.0 million as at 31 December 2014 to approximately RMB 58.2 million as at 30 September 2015. The net decrease was mainly due to VAT payables reduced correspondingly to revenue drop in FY 2015.

The decrease in the bank loans as compared to 31 December 2014 was due to the repayment of bank loans of RMB 97.2 million in FY 2015 without new bank loan obtained in 4Q 15. In FY 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 December 2015.

Commentary on Statement of Cash Flows

Net Cash from Operating Activities

Operating cashflow before working capital changes decreased by approximately RMB 161.1 million from approximately RMB 98.4 million net inflow in FY 14 to approximately RMB 62.7 net outflow million in FY 15. The decrease was mainly due to the operating loss generated in FY 15 as compared to the operating profit incurred in the corresponding period in 2014 and offset by the recognition of the impairment loss on trade receivable. The operating cashflow before working capital changes decreased by approximately RMB 21 million from approximately RMB 18.4 million net inflow in 4Q 14 to approximately RMB 3.0 net outflow million in 4Q 15. The decrease was mainly due to the low profit generated in 4Q 15 as compared to the operating profit incurred in the corresponding period in 2014 and offset by the recognition of the impairment loss on trade receivable.

Net cash used in operating activities in FY 15 decreased significantly by approximately RMB 192.7 million as compared to FY 14 mainly due to the huge loss generated of approximately RMB 559.8 million, increase in trade receivables of approximately RMB 145 million, decrease in trade payables and bills payables of approximately RMB 16.5 and this is offset by the huge impairment loss on trade receivables recognised of approximately RMB 480.6 million (net of reversal of impairment) in 4Q 2015 and decrease in inventories of approximately RMB 8.5 million.

Net cash used in operating activities in 4Q 15 decreased by approximately RMB 190.2 million as compared to 4Q 14 was mainly due to net operating losses and huge impairment loss on trade receivables recognised of approximately RMB 61.4 million in 4Q 2014.

Net Cash used in Investing Activities

In FY 15, there is no net cash used in investing activities whereas in FY 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 132,000.

Net Cash from/(used in) Financing Activities

Net cash used in financing activities was approximately RMB 26.3 million in FY 15. This was due mainly to net repayment of bank loans of RMB 74.7 million which was offset by an increase in amount owing to a director (Mr Lin Shaoxiong) of approximately RMB 2.5 million and the decrease in pledged deposits of approximately RMB 45.8 million in FY 15.

Net cash from financing activities was approximately RMB 12.7 million in 4Q 15. These was mainly due to a decrease in pledged deposits of approximately RMB 35.2 million and partially offset by repayment of bank loan amounting to RMB 22,500 in 4Q 15.

9. Use of Rights Issue and Placement Proceeds

The following table sets out the details of the utilisation of placement proceeds up to 31 December 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	50.0	-
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	20.0	-
3.	Development of online shopping platform	27.9	27.9	-
		97.9	97.9	-

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") decreased to 6.8% in last quarter of FY 2015 and the rate was slowest since first quarter of 2009. At the same time, total retail sales of consumer goods for FY 15 rose 10.8% with retail sales in rural area rising 11.5% while retail sales in urban area rising at a relatively slower pace of 10.1%*.

The China sportswear industry, which has been facing challenges stemming from excessive inventory and over-expanded retail channels over the past few years has not shown much improvement. Measures have been taken by Industry players in destocking and network consolidation. Despite this, 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 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.

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 FY2016 through cost control measures and reducing subsidies given to distributors and tighten the credit control over collection from distributors.

**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.

Our Group is engaged in two business segments which are design, manufacture and sale of footwear and the design and sale of apparel and accessories which have identical risk and returns. However, no apparel revenue resulted from our strategic decision to discontinue our Yeli apparel business in 2015.

	Year ended 31 December 2015		Total
	Design, manufacture footwear RMB'000	Design and sale of accessories RMB'000	RMB'000
Revenue	243,500	-	243,500
Result			
Segment results	(461,452)	-	(461,452)
Interest income			607

Unallocated other income			185
Unallocated expenses			(93,083)
Finance costs			(6,012)
Loss before income tax			(559,755)
Income tax expenses			-
Loss for the year			(559,755)

Segment assets	358,677	-	358,677
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Segment liabilities	(77,814)	-	(77,814)
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Depreciation of property, plant and equipment	(10,708)	-	(10,708)
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Amortisation of land use rights and in tangibles	(925)	-	(925)
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Impairment loss on trade receivables	(487,378)	-	(487,378)
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Reversal of Impairment loss on trade receivables	(6,793)	-	(6,793)
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Reported segment assets are reconciled to total assets as follows:

Segment assets			358,677
Deferred tax asset			44,244
Cash and cash equivalents			154,427
			557,348

Reported segment liabilities are reconciled to total liabilities as follows:

Segment liabilities			77,814
Non-current liabilities			7,377
			85,191

	Year ended 31 December 2014		Total
	Design, manufacture footwear	Design and sale of apparel accessories	
	RMB'000	RMB'000	RMB'000
Revenue	766,566	59,317	825,883
Result			
Segment results	73,239	4,352	77,591
Interest income	2,978	230	3,208
Unallocated other income			520
Unallocated expenses			(57,287)
Finance costs			(7,892)
Profit before income tax			15,600
Income tax expenses			(5,002)
P for the year			10,598
Segment assets	668,079	39,446	707,525
Segment liabilities	(200,057)	(15,481)	(215,538)
Capital expenditures	123	9	132
Depreciation of property, plant and equipment	(11,667)	(68)	(11,735)
Amortisation of land use rights and in tangibles	(932)	(2)	(934)
Impairment loss on trade receivables	(61,397)	-	(61,397)
Impairment loss on interest receivables	(3,695)	(938)	(4,632)
Reported segment assets are reconciled to total assets as follows:			
Segment assets			707,525
Deferred tax asset			44,244
Pledged fixed deposits			45,875
Cash and cash equivalents			532,506
			1,330,150

Reported segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	215,538
Interest-bearing bank borrowings	74,700
Non-current liabilities	7,377
	297,615
	297,615

16. A breakdown of sales.

Group	FY 15	FY 14	Change
	RMB'000	RMB'000	%
Sales reported for the first half year	158,843	428,925	16.5
Operating profit/ (loss) after tax reported for first half year	(296,109)	30,754	N/A
Sales reported for the second half year	84,657	396,958	(11.8)
Operating loss after tax reported for second half year	(263,646)	(20,156)	N/A

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.

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 12 months in which the License will conclude on 31 December 2015 (the “**2015 Extended Term**”). All other terms and conditions remain unchanged for the 2015 Extended Term.

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 30 September 2015:

Name of interested person	Aggregate value of all IPTs during the financial period under review	
	excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920	under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB	RMB
Lin Shaoxiong	-	-
Royalty fees payable to Lin Yongjian	8.16 million	-

18. Disclosure of person occupying a managerial position in the issuer 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) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lin Shaoxiong	38	Substantial shareholder, and brother of Lin Shaoqin and the son of Lin Yongjian	Chief Executive Officer, Executive Director, and Chairman of our Company (since 2007) Duties Responsible for strategic business direction and development	No Change
Lin Shaoqin	33	Brother of Lin Shaoxiong and the son of Lin Yongjian	Executive Director (since 2007) Duties Responsible for all aspects of sales and marketing	No Change

BY ORDER OF THE BOARD

Lin Shaoxiong
Executive Chairman and Chief Executive Officer
29 February 2016