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

First Quarter Financial Statement And Related Announcement for Period Ended 31 March 2018

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 2018 and as at 31 December 2017 and the consolidated statements of comprehensive income for the quarter ended 31 March 2018 ("1Q2018") and the quarter ended 31 March 2017 ("1Q2017") 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 (the "Target Company", and together with its subsidiaries, the "Target Group"), 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) It was announced on 2 March 2018 that the Company had despatched to shareholders, a circular dated 2 March 2018 ("Circular") containing, *inter alia*, a notice for convening a special general meeting ("SGM") ("Notice of SGM") of the Company to be held on 28 March 2018.

l) It was announced on 28 March 2018 that all resolutions set out in the Notice of SGM dated 2 March 2018 had been duly approved by the Company's shareholders at the SGM held on 28 March 2018.

m) It was announced on 27 April 2018 that:

i) the share transfer books and the Register of Members would be closed at 5.00 p.m. on 11 May 2018 for the purpose of determining the entitlements of shareholders to the Proposed Cash Distribution; and

ii) the Effective Date, being the date on which the Share Premium Reduction is to have effect, shall be on 14 May 2018.

n) Unless otherwise defined herein, all capitalised terms used in this Announcement shall have the same meanings as defined in the Circular.

o) 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 Group is applying IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" on the Proposed Disposal. This resulted in substantial changes in the presentation and the figures in the financial statements.

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 18	**31 Mar 2017** (Restated)	**%**
Loss from continuing operations	-	-	N/A
Loss from discontinued operations (net of tax)[1]	(287,780)	(22,783)	1,163.1
Loss attributable to shareholders[2]	(287,780)	(22,783)	1,163.1

STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	**3 months ended**		**Change**
	31 Mar 2018	**31 Mar 2017**	**%**
Loss attributable to shareholders	(287,780)	(22,783)	1,163.1
Other comprehensive income - exchange differences on translating foreign operations	-	-	N/A
Total comprehensive income for the period	(287,780)	(22,783)	1,163.1

Note:

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**").

1(a)(ii) Other information:

Note 1: Operation of the Target Group fulfils the requirements under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and the loss for 1Q2018 and 1Q2017 were disclosed as discontinued operations. Included in loss from discontinued operation is the impairment on assets held for sale of RMB 255.4 million, which is the difference between the net book value of the Target Group of amount RMB 355.4 million and the consideration of RMB 100 million.

Note 2: Loss attributable to shareholders comprised impairment on assets held for sale and the loss from discontinued operations.

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 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
NON-CURRENT ASSETS				
Property, plant and equipment	-	430,251	-	-
Land use rights	-	23,025	-	-
Deferred tax assets	-	15,952	-	-
Investments in subsidiaries	-	-	-	249,298
	-	469,228	-	249,298
CURRENT ASSETS				
Inventories, at cost	-	355,222	-	-
Trade receivables	-	326,340	-	-
Land use rights – current portion	-	878	-	-
Prepayments, deposits and other receivables	-	5,916	-	-
Due from a subsidiary	-	-	-	3,008,672
Bank and cash balances	-	23,455	-	-
Assets of disposal group classified as held for sale[1]	781,553	-	100,000	-
	781,553	711,811	100,000	3,008,672
Total assets	781,553	1,181,039	100,000	3,257,970
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	(3,154,325)	(2,866,545)	(3,078,200)	79,770
	31,722	319,502	31,722	3,189,692
LIABILITIES				
Current liabilities				
Liabilities of disposal group classified as held for sale[1]	681,553	-	-	-
Trade payables	-	591,118	-	-
Accruals and other payables	3,750	161,153	3,750	3,750
Amounts due to shareholders	64,528	64,528	64,528	64,528
Current tax liabilities	-	43,827	-	-
	749,831	860,626	68,278	68,278
NON-CURRENT LIABILITIES				
Deferred tax liabilities	-	911	-	-
Total liabilities	749,831	861,537	68,278	68,278
Total equity and liabilities	781,553	1,181,039	100,000	3,257,970

Note 1: As at 31 March 2018, assets held for sale of the Target Group was RMB781.6 million (net of impairment loss of RMB255.4 million. Liabilities held for sale of the Target Group was RMB681.6 million. The consideration of the Proposed Disposal was RMB100 million which is equivalent to the amount required to offset the assets and liabilities of assets held for sale.

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 2018		As at 31 Dec 2017	
	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 2018 and as at 31 December 2017.

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 31/3/18	Group 3 months 31/3/17
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
Continuing operations	-	-
Discontinued operations	(24,776)	(10,618)
Adjustments for:		
Depreciation and amortisation	15,139	14,908
Interest expense	40	41
Interest income	(140)	(152)
Operating (loss)/profit before working capital changes	(9,737)	4,179
Decrease in inventories	86,179	9,840
Decrease/(increase) in trade receivables	42,356	(43,072)
Decrease in prepayments, deposits and other receivables	573	1,226
Decrease in trade payables	(113,550)	(10,532)
Decrease in accruals and other payables	(3,838)	(6,966)
Cash generated from/(used in) operations	1,983	(45,325)
Income tax paid	(1,932)	(2,361)
Interest paid	(40)	(41)
Net cash generated from/(used in) operating activities	11	(47,727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,904)	(4,311)
Interest received	140	152
Net cash used in investing activities	(2,764)	(4,159)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,753)	(51,886)
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	23,455	89,670
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	20,702	37,784
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	20,702	37,784
Less: Fixed bank deposits over three months	-	-
Cash and cash equivalents	20,702	37,784

Note 1: The discontinued operations refer to the Target Group classified as held for sale under IFRS 5.

Note 2: The cash and cash equivalents shown in the cashflow are classified/included in the assets held for sale.

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 1/1/2018	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,866,545)	319,502
Total comprehensive income for the financial period	-	-	-	-	-	-	(287,780)	(287,780)
Balance as at 31/3/2018	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(3,154,325)	31,722
Group – Previous Period								
Balance as at 1/1/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,710,773)	475,274
Total comprehensive income for the financial period	-	-	-	-	-	-	(22,783)	(22,783)
Balance as at 31/3/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,733,556)	452,491
Company – Current Period								
Balance as at 1/1/2018	56,595	2,978,708	-	43,125	31,494	-	79,770	3,189,692
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,157,970)	(3,157,970)
Balance as at 31/3/2018	56,595	2,978,708	-	43,125	31,494	-	(3,078,200)	31,722
Company – Previous Period								
Balance as at 1/1/2017	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 31/3/2017	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380

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

There were no options granted and issue of shares pursuant to the employee's share option scheme.

There were no shares that may be issued on conversion of all the outstanding convertibles.

There were no treasury shares and subsidiary holdings.

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

As at 31 March 2018 and 31 December 2017, 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 periods beginning on 1 January 2018. For the current reporting period ended 31 March 2018, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

The Group is applying IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" on the Proposed Disposal.

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 31/3/18	3 months ended 31/3/17
Loss from discontinued operation per share – basic (RMB cents)	(10.28) (1)	(0.81) (1)

Notes:

(1) Loss per ordinary share for 3 months ended 31 March 2018 and 31 March 2017 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
	31/3/18	**31/12/17**	**31/3/18**	**31/12/17**
Based on the issued capital at the end of the financial period/year (RMB cents)	1.13	11.41	1.13	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 1Q2018 as compared to the Group's Performance for 1Q2017

Further to the approval of Proposed Disposal, operations were accounted for as "discontinued operations" under IFRS 5.

(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 2018 as compared to the Group's Financial Position as at 31 December 2017

As at 31 March 2018, assets held for sale of the Proposed Disposal was RMB781.6 million (net of impairment loss of RMB255.4 million. Liabilities held for sale of the Target Group was RMB681.6 million. The consideration of the Proposed Disposal was RMB100 million which is equivalent to the amount required to offset the assets and liabilities of assets held for sale.

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

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 FY2017 Results and its actual 1Q2018 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.

The Company had on 2 March 2018, despatched the Circular to shareholders containing, *inter alia*, a Notice of SGM for a SGM to be held on 28 March 2018 for the purpose of seeking shareholders' approval for the Proposed Disposal, the Proposed Bye-law Amendment and the Proposed Capital Reorganisation. Consequently, all resolutions set out in the Notice of SGM dated 2 March 2018 were duly approved and passed by the requisite majority of shareholders at the SGM held on 28 March 2018.

Pursuant to the resolutions that had been passed at the SGM held on 28 March 2018, the Books Closure Date and Effective Date were fixed on 11 May 2018 and 14 May 2018 respectively.

Completion of the Proposed Disposal is expected to take place before 31 May 2018. Upon completion of the Proposed Disposal, the Company expects the Proposed Cash Distribution to take place in June 2018.

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 2018.

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 2018.

14. Confirmation Pursuant to SGX Listing Rule 705(5) of the Listing Manual

The Directors confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the above unaudited 1Q2018 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
15 May 2018

Alfred Cheong
Independent Director

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

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

BY ORDER OF THE BOARD

Charles Chan
Independent Director
15 May 2018