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

Half Year Financial Statement And Related Announcement for Period Ended 30 June 2016

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 30 June 2016 and as at 31 December 2015 and the consolidated statements of comprehensive income for the quarter ended 30 June 2016 ("2Q2016"), the quarter ended 30 June 2015 ("2Q2015"), the half-year ended 30 June 2016 ("1H2016") and the half-year ended 30 June 2015 ("1H2015") 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) **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) **The Board refers to the Company's monthly announcements released since 29 August 2014.**

It was announced previously that the Company was not in a position to and will not be proceeding with the Company's trading resumption proposal and that the Board was undertaking all strategic options available to the Company.

It was announced previously 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.

The Company had on 29 July 2016 announced that there has been no update in relation to the Potential Offer. The Board cautions that there is no certainty that the Potential Offer will materialise.

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 6 MONTHS ENDED 30 JUNE

	3 months ended		Change	6 months ended		Change
(RMB'000)	30 Jun 2016	30 Jun 2015	%	30 Jun 2016	30 Jun 2015	%
Revenue	310,171	223,383	38.9	633,547	616,914	2.7
Cost of goods sold	(234,915)	(184,326)	27.4	(489,794)	(508,638)	(3.7)
Gross profit	75,256	39,057	92.7	143,753	108,276	32.8
Other income	1,263	1,471	(14.1)	2,154	2,817	(23.5)
Selling and distribution expenses	(92,920)	(117,057)	(20.6)	(170,910)	(245,270)	(30.3)
Administrative expenses	(35,118)	(41,769)	(15.9)	(69,059)	(81,488)	(15.3)
Loss from operations	(51,519)	(118,298)	(56.4)	(94,062)	(215,665)	(56.4)
Finance costs	(58)	(36)	61.1	(88)	(63)	39.7
Loss before tax	(51,577)	(118,334)	(56.4)	(94,150)	(215,728)	(56.4)
Income tax (expense)/credit	(3,363)	4,522	(174.4)	(8,669)	595	(1,557.0)
Loss attributable to shareholders	(54,940)	(113,812)	(51.7)	(102,819)	(215,133)	(52.2)

STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE

Group	3 months ended		Change	6 months ended		Change
(RMB'000)	30 Jun 2016	30 Jun 2015	%	30 Jun 2016	30 Jun 2015	%
Loss attributable to shareholders	(54,940)	(113,812)	(51.7)	(102,819)	(215,133)	(52.2)
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	(54,940)	(113,812)	(51.7)	(102,819)	(215,133)	(52.2)

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	3 months ended		Change	6 months ended		Change
(RMB'000)	30 Jun 2016	30 Jun 2015	%	30 Jun 2016	30 Jun 2015	%
Profit before tax is arrived at after charging/(crediting) the following:						
Sundry income	(1,112)	(361)	208.0	(1,842)	(1,558)	18.2
Interest income	(151)	(1,110)	(86.4)	(312)	(1,259)	(75.2)
	(1,263)	(1,471)	(14.1)	(2,154)	(2,817)	(23.5)
Refurbishment expenses	9,732	19,599	(50.3)	24,107	44,635	(46.0)
Depreciation and amortisation						
- cost of goods sold	12,689	15,296	(17.0)	24,711	29,108	(15.1)
- selling and distribution expenses	787	846	(7.0)	1,745	1,814	(3.8)
- administrative expenses	2,412	2,648	(8.9)	5,005	5,271	(5.0)
	15,888	18,790	(15.4)	31,461	36,193	(13.1)
Research and development costs	10,325	16,956	(39.1)	20,222	31,274	(35.3)
Net loss on property, plant and equipment due to fire	-	7,635	(100.0)	-	7,635	(100.0)
Net loss on inventories due to fire	-	8,054	(100.0)	-	8,054	(100.0)

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	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
NON-CURRENT ASSETS				
Property, plant and equipment	477,052	503,517	-	-
Land use rights	24,342	24,779	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	517,346	544,248	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	368,500	412,618	-	-
Trade receivables	304,808	384,412	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	13,506	12,468	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	117,498	156,890	60	60
	805,190	967,266	3,008,732	3,008,732
Total assets	1,322,536	1,511,514	3,258,030	3,258,030
EQUITY				
Issued capital	56,595	56,595	56,595	56,595
Share premium	2,978,708	2,978,708	2,978,708	2,978,708
Statutory reserve	125,518	125,518	-	-
Foreign currency translation reserve	(27,822)	(27,822)	43,125	43,125
Contributed surplus	31,494	31,494	31,494	31,494
Revaluation reserve	21,554	21,554	-	-
(Accumulated loss)/retained profits	(2,589,242)	(2,486,423)	82,458	82,458
	596,805	699,624	3,192,380	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	498,811	578,338	-	-
Accruals and other payables	156,411	166,420	32,777	32,777
Amount due to executive director	32,873	32,873	32,873	32,873
Current tax liabilities	36,725	33,348	-	-
	724,820	810,979	65,650	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	725,731	811,890	65,650	65,650
Total equity and liabilities	1,322,536	1,511,514	3,258,030	3,258,030

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 30 Jun 2016		As at 31 Dec 2015	
	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 30 June 2016 and as at 31 December 2015.

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 30/6/16	Group 3 months 30/6/15	Group 6 months 30/6/16	Group 6 months 30/6/15
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(51,577)	(118,334)	(94,150)	(215,728)
Adjustments for:				
Depreciation and amortisation	15,888	18,790	31,461	36,193
Net loss on property, plant and equipment due to fire	-	7,635	-	7,635
Net loss on inventories due to fire	-	8,054	-	8,054
Other interest expenses	58	36	88	63
Interest income	(151)	(1,110)	(312)	(1,259)
Operating loss before working capital changes	(35,782)	(84,929)	(62,913)	(165,042)
Decrease/(increase) in inventories	10,294	(30,818)	44,118	57,980
Decrease in trade receivables	99,287	313,821	79,604	388,694
(Increase)/decrease in prepayments, deposits and other receivables	(6,665)	749	(1,038)	4,548
Decrease in trade payables	(60,508)	(99,738)	(79,527)	(123,296)
Increase/(decrease) in accruals and other payables	6,620	12,781	(10,009)	4,834
Cash generated from/(used in) operations	13,246	111,866	(29,765)	167,718
Income tax paid	(2,674)	(4,315)	(5,292)	(12,193)
Other interest paid	(58)	(36)	(88)	(63)
Net cash generated from/(used in) operating activities	10,514	107,515	(35,145)	155,462
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(3,200)	(1,890)	(4,559)	(3,201)
Interest received	151	1,110	312	1,259
Net cash used in investing activities	(3,049)	(780)	(4,247)	(1,942)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,465	106,735	(39,392)	153,520
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	110,033	76,381	156,890	29,596
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	117,498	183,116	117,498	183,116
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	117,498	183,116	117,498	183,116
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	117,498	183,116	117,498	183,116

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 1/1/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,486,423)	699,624
Total comprehensive income for the financial period	-	-	-	-	-	-	(102,819)	(102,819)
Balance as at 30/6/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,589,242)	596,805
Group – Previous Period								
Balance as at 1/1/2015	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,067,983)	1,118,064
Total comprehensive income for the financial period	-	-	-	-	-	-	(215,133)	(215,133)
Balance as at 30/6/2015	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,283,116)	902,931
Company – Current Period								
Balance as at 1/1/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 30/6/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Company – Previous Period								
Balance as at 1/1/2015	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 30/6/2015	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 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 30 June 2016 and 31 December 2015, 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 the Cautionary Note above.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2010 ("FY2010").

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the applicable new/revised IFRS that are mandatory for annual period beginning on 1 January 2016. For the current reporting period ended 30 June 2016, 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 30/6/16	3 months ended 30/6/15	6 months ended 30/6/16	6 months ended 30/6/15
Loss per share – basic (RMB cents)	(1.96) [2]	(4.06) [2]	(3.67) [2]	(7.68) [1]

Notes:

(1) Loss per ordinary share for 6 months ended 30 June 2016 and 30 June 2015 were calculated based on unaudited loss attributable to shareholders divided by weighted average number of 2,800,000,000 ordinary shares.

(2) Loss per ordinary share for 3 months ended 30 June 2016 and 30 June 2015 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**
	30/6/16	**31/12/15**	**30/6/16**	**31/12/15**
Based on the issued capital at the end of the financial period/year (RMB cents)	21.31	24.99	114.01	114.01
Number of ordinary shares of HK$0.02 each in issue as at the end of the financial period/year in calculating net asset value	2,800,000,000	2,800,000,000	2,800,000,000	2,800,000,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Review of the Group's Performance for 1H2016 as compared to the Group's Performance for 1H2015

Revenue

Revenue increased by RMB16.6 million or 2.7% from RMB616.9 million in 1H2015 to RMB633.5 million in 1H2016.

Revenue increased by RMB86.8 million or 38.9% from 223.4 million in 2Q2015 to RMB310.2 million in 2Q2016. Revenue in 2Q2015 was particularly low due to the fire in June 2015 and decrease in orders.

The size of retail network was 4,951 ERKE Points of Sale ("**ERKE POS**") as at 30 June 2016 (31 December 2015: 5,248).

Revenue by product segments

	6 months ended 30 Jun 2016		6 months ended 30 Jun 2015		Revenue growth
	RMB'000	% of revenue	RMB'000	% of revenue	%
Footwear	361,969	57.1	308,989	50.1	17.1
Apparel	260,783	41.2	296,617	48.1	(12.1)
Accessories	10,795	1.7	11,308	1.8	(4.5)
Total	633,547	100.0	616,914	100.0	2.7

Revenue from sports footwear increased by RMB53.0 million or 17.2% from RMB309.0 million in 1H2015 to RMB362.0 million in 1H2016 mainly due to increased order volumes by distributors.

Revenue from sports apparel decreased by RMB35.8 million or 12.1% from RMB296.6 million in 1H2015 to RMB260.8 million in 1H2016 mainly due to decreased order volumes by distributors.

Revenue from sports accessories decreased by RMB0.5 million or 4.4% from RMB11.3 million in 1H2015 to RMB10.8 million in 1H2016 due to decreased order volumes of a variety of bags, hats and socks by distributors.

Cost of goods sold and gross profit margin

Cost of goods sold decreased by RMB18.8 million or 3.7% from RMB508.6 million in 1H2015 to RMB489.8 million in 1H2016.

Gross profit increased by RMB35.5 million or 32.8% from RMB108.3 million in 1H2015 to RMB143.8 million in 1H2016. Gross profit margin increased from 17.6% in 1H2015 to 22.7% in 1H2016. Gross profit in 1H2016 increased as compared to 1H2015 mainly due to higher revenue as a result of increase in order volumes of sports footwear by distributors, but partially offset by decrease in order volumes of sports apparel by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses decreased by RMB86.8 million or 26.6% from RMB326.8 million in 1H2015 to RMB240.0 million in 1H2016. As a percentage of revenue, operating expenses has decreased from 53.0% in 1H2015 to 37.9% in 1H2016.

Selling and distribution expenses decreased by RMB74.4 million or 30.3% from RMB245.3 million in 1H2015 to RMB170.9 million in 1H2016. The major item contributing to the decrease was the advertising expenses which decreased from RMB162.0 million in 1H2015 to RMB107.5 million in 1H2016, and the refurbishment expenses which decreased from RMB44.6 million in 1H2015 to RMB24.1 million in 1H2016.

Advertising expenses include trade fairs, promotion campaigns, sponsorship activities, advertising on television, advertising on internet, advertising on print media such as billboards, sports magazines and newspapers.

Administrative expenses decreased by RMB12.4 million or 15.2% from RMB81.5 million in 1H2015 to RMB69.1 million in 1H2016. The Group has continued to exercise tight control over administrative expenses.

The major item of administrative expenses was research and development costs which decreased by RMB11.1 million or 35.5% from RMB31.3 million in 1H2015 to RMB20.2 million in 1H2016 due to the lower staff costs and the costs of the materials used for R&D.

Income tax expense

The tax charge represents applicable PRC enterprise income tax provided for the period.

The applicable corporate income tax rate for the subsidiaries of the Group in the PRC is 25%.

Deferred tax assets represented temporary differences arising from advertising fees.

Profit attributable to shareholders

The Group recorded a loss before tax of some RMB94.2 million in 1H2016 as compared to a loss before tax of some RMB215.7 million in 1H2015 and a net loss attributable to shareholders of some RMB102.8 million in 1H2016 as compared to a net loss attributable to shareholders of some RMB215.1 million in 1H2015.

(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 30 June 2016 as compared to the Group's Financial Position as at 31 December 2015

Bank and cash balances of the Group decreased from RMB156.9 million as at 31 December 2015 to RMB117.5 million as at 30 June 2016.

The Group recorded a net cash outflow from operating activities of some RMB35.1 million for the period ended 30 June 2016. This was mainly due to the loss before tax of some RMB94.2 million, net decrease in trade payables of some RMB79.5 million and net decrease in accruals and other payables of some RMB10.0 million, as offset by net decrease in inventories of some RMB44.1 million and net decrease in trade receivables of some RMB79.6 million.

Carrying amount of PPE decreased by RMB26.4 million or 5.2% from RMB503.5 million as at 31 December 2015 to RMB477.1 million as at 30 June 2016. This was mainly due to the depreciation amounting to some RMB31.0 million in 1H2016 as offset by the acquisition of production machinery and office equipment of some RMB4.6 million in 1H2016.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.4 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories decreased by some RMB44.1 million or 10.7% from RMB412.6 million as at 31 December 2015 to RMB368.5 million as at 30 June 2016.

Trade receivables decreased by some RMB79.6 million or 20.7% from RMB384.4 million as at 31 December 2015 to RMB304.8 million as at 30 June 2016.

Trade payables decreased by RMB79.5 million or 13.7% from RMB578.3 million as at 31 December 2015 to RMB498.8 million as at 30 June 2016 due to settlement of outstanding trade debts in 1H2016.

Accruals and other payables decreased by RMB10.0 million or 6.0% from RMB166.4 million as at 31 December 2015 to RMB156.4 million as at 30 June 2016.

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 1H2016. 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.

There is no variation between the prospect statement made in paragraph 10 of the Company's 1Q2016 Results and its actual 1H2016 Results.

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

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

The Group will continue to exercise stringent control on its expenditure items.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend had been declared or recommended for the period ended 30 June 2016.

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 1H2016.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
12 August 2016

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

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured required undertakings to comply with the Exchange's listing rules from all the Independent Directors and Executive Officers of the Company, except the Chairman who indicated his intention to step down.

Statement 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 2Q2016 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
12 August 2016

Alfred Cheong
Independent Director