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

First Quarter Financial Statement And Related Announcement for Period Ended 31 March 2015

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 2015 and as at 31 December 2014 and the consolidated statements of comprehensive income for the quarter ended 31 March 2015 ("1Q2015") and the quarter ended 31 March 2014 ("1Q2014") as set out below ("Limitations"):

a) **On 1 March 2011, the Company appointed nTan Corporate Advisory Pte Ltd as Special Auditor, to carry out an independent investigation into the matters raised in the Company's announcement entitled "Appointment of Special Accountant" and "Request for Suspension of Trading in Shares" released on 25 February 2011 ("Independent Investigation").**

b) **The Special Auditor completed the Independent Investigation and submitted their report on the Independent Investigation ("Report") to the Audit Committee and the Singapore Exchange Securities Trading Limited ("SGX-ST") on 20 July 2012. The Audit Committee will determine, in consultation with the Company's lawyers, auditors and other professionals, the appropriate actions to be taken.**

c) **On 27 February 2012, the Company announced that it had submitted its trading resumption proposal pursuant to Rule 1304(1) of the Listing Manual. On 12 April 2012, the Company announced that SGX-ST had granted the Company an extension of time until 28 June 2012 to submit a fuller trading resumption proposal. On 20 July 2012, the Company announced that the SGX-ST had granted the Company an extension of time until 25 July 2012 to submit the aforementioned fuller trading resumption proposal.**

d) **On 25 July 2012, the Company announced that the Company had submitted the fuller trading resumption proposal to SGX-ST. On 25 September 2012, the Company announced that SGX-ST has responded to the Company's trading resumption proposal and commented on matters that require further consideration by the Company and also the additional steps that must be undertaken by the Company to formulate a trading resumption proposal.**

e) **The Company has since undertaken and implemented various steps to re-submit its trading resumption proposal, taking into account SGX-ST's comments to the Company. On 28 May 2013, the Company has re-submitted its trading resumption proposal to SGX-ST.**

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

g) The Board refers to the Company's announcements released on 29 August 2014, 2 October 2014, 31 October 2014, 1 December 2014, 31 December 2014, 31 January 2015, 4 March 2015, 7 April 2015 and 7 May 2015.

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 which was expected to be made in about three months.

The Company had on 7 May 2015 announced that there has been no update in relation to the Potential Offer since the last update on 7 April 2015.

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

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

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

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

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

Group (RMB'000)	**3 months ended**		**Change**
	31 Mar 2015	**31 Mar 2014**	**%**
Revenue	393,531	429,416	(8.4)
Cost of goods sold	(324,312)	(350,265)	(7.4)
Gross profit	69,219	79,151	(12.5)
Other income	1,346	1,186	13.5
Selling and distribution expenses	(128,213)	(104,241)	23.0
Administrative expenses	(39,719)	(32,189)	23.4
Loss from operations	(97,367)	(56,093)	73.6
Finance costs	(27)	(28)	(3.6)
Loss before tax	(97,394)	(56,121)	73.5
Income tax (expense)/credit	(3,927)	321	(1,323.4)
Loss attributable to shareholders	(101,321)	(55,800)	81.6

STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH

Group (RMB'000)	**3 months ended** **31 Mar 2015**	**31 Mar 2014**	**Change %**
Loss attributable to shareholders	(101,321)	(55,800)	81.6
Other comprehensive income - exchange differences on translating foreign operations	-	-	
Total comprehensive income for the period	(101,321)	(55,800)	81.6

Note:

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

1(a)(ii) Other information:

Group

(RMB'000)	**3 months ended** **31 Mar 2015**	**31 Mar 2014**	**Change %**
Loss before tax is arrived at after charging/(crediting) the following:			
Sundry income	(1,197)	(1,076)	11.2
Interest income	(149)	(110)	35.5
	(1,346)	(1,186)	13.5
Refurbishment expenses	25,036	44,023	(43.1)
Depreciation and amortisation			
- cost of goods sold	13,812	13,908	(0.7)
- selling and distribution expenses	968	942	2.8
- administrative expenses	2,623	2,806	(6.5)
	17,403	17,656	(1.4)
Research and development costs	14,318	8,216	74.3

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 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
NON-CURRENT ASSETS				
Property, plant and equipment	562,348	578,222	-	-
Land use rights	25,439	25,657	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	603,739	619,831	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	371,451	460,249	-	-
Trade receivables	813,917	888,790	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	2,761	6,560	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	76,381	29,596	60	60
	1,265,388	1,386,073	3,008,732	3,008,732
Total assets	1,869,127	2,005,904	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	(2,169,304)	(2,067,983)	82,458	82,458
	1,016,743	1,118,064	3,192,380	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	630,702	654,260	-	-
Accruals and other payables	149,017	156,964	32,777	32,777
Amount due to executive director	32,873	32,873	32,873	32,873
Current tax liabilities	38,881	42,832	-	-
	851,473	886,929	65,650	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	852,384	887,840	65.650	65,650
Total equity and liabilities	1,869,127	2,005,904	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 31 Mar 2015		As at 31 Dec 2014	
	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 2015 and as at 31 December 2014.

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 31/3/15	Group 3 months 31/3/14
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(97,394)	(56,121)
Adjustments for:		
Depreciation and amortisation	17,403	17,656
Interest expense	27	28
Interest income	(149)	(110)
Operating loss before working capital changes	(80,113)	(38,547)
Decrease/(increase) in inventories	88,798	(751)
Decrease in trade receivables	74,873	186,451
Decrease in prepayments, deposits and other receivables	3,799	4,671
Decrease in trade payables	(23,558)	(83,944)
(Decrease)/increase in accruals and other payables	(7,947)	19,092
Cash used in operations	55,852	86,972
Income tax paid	(7,878)	(907)
Interest paid	(27)	(28)
Net cash generated from operating activities	47,947	86,037
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,311)	(1,159)
Interest received	149	110
Net cash used in investing activities	(1,162)	(1,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,785	84,988
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	29,596	166,214
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	76,381	251,202
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	76,381	251,202
Less: Fixed bank deposits over three months	-	-
Cash and cash equivalents	76,381	251,202

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 1/1/2015	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	-	-	-	-	-	-	(101,321)	(101,321)
Balance as at 31/3/2015	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,169,304)	1,016,743
Group – Previous Period								
Balance as at 1/1/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,610,248)	1,575,799
Total comprehensive income for the financial period	-	-	-	-	-	-	(55,800)	(55,800)
Balance as at 31/3/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,666,048)	1,519,999
Company – Current 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 31/3/2015	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Company – Previous Period								
Balance as at 1/1/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 31/3/2014	56,595	2,978,708	-	43,125	31,494	-	86,093	3,196,015

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

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

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

As at 31 March 2015 and 31 December 2014, the share capital of the Company comprised 2,800,000,000 ordinary shares.

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

The Company does not have any treasury shares.

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

These figures have neither been audited nor reviewed. Please also refer to Cautionary Note above.

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

Not applicable.

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

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

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

The Group has adopted the applicable new/revised IFRS that are mandatory for annual period beginning on 1 January 2015. For the current reporting period ended 31 March 2015, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 31/3/15	3 months ended 31/3/14
Loss per share – basic (RMB cents)	(3.62) [(1)]	(1.99)[(1)]

Notes:

(1) Loss per ordinary share for 3 months ended 31 March 2015 and 31 March 2014 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**
	31/3/15	**31/12/14**	**31/3/15**	**31/12/14**
Based on the issued capital at the end of the financial period/year (RMB cents)	36.31	39.93	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 1Q2015 as compared to the Group's Performance for 1Q2014

Revenue

Revenue decreased by RMB35.9 million or 8.4% from RMB429.4 million in 1Q2014 to RMB393.5 million in 1Q2015.

The size of retail network was 6,216 ERKE Points of Sale ("**ERKE POS**") as at 31 March 2015 (31 December 2014: 6,326).

Revenue by product segments

	1Q2015		1Q2014		Revenue growth
	RMB'000	**% of revenue**	**RMB'000**	**% of revenue**	%
Footwear	299,565	76.1	245,588	57.2	22.0
Apparel	91,160	23.2	181,288	42.2	(49.7)
Accessories	2,806	0.7	2,540	0.6	10.5
Total	393,531	100.0	429,416	100.0	(8.4)

Revenue from sports footwear increased by RMB54.0 million or 22.0% from RMB245.6 million in 1Q2014 to RMB299.6 million in 1Q2015 mainly due to increased order volumes by distributors.

Revenue from sports apparel decreased by RMB90.1 million or 49.7% from RMB181.3 million in 1Q2014 to RMB91.2 million in 1Q2015 mainly due to decreased order volumes by distributors.

Revenue from sports accessories increased by RMB0.3 million or 12.0% from RMB2.5 million in 1Q2014 to RMB2.8 million in 1Q2015 due to increased order volumes of a variety of bags, hats and socks by distributors.

Cost of goods sold and gross profit margin

Cost of goods sold decreased by RMB26.0 million or 7.4% from RMB350.3 million in 1Q2014 to RMB324.3 million in 1Q2015. This was in line with the decrease in revenue.

Gross profit decreased by RMB10.0 million or 12.6% from RMB79.2 million in 1Q2014 to RMB69.2 million in 1Q2015. Gross profit margin decreased from 18.4% in 1Q2014 to 17.6% in 1Q2015. Gross profit in 1Q2015 decreased as compared to 1Q2014 due to sale of comparatively lower margin products.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by RMB31.5 million or 23.1% from RMB136.4 million in 1Q2014 to RMB167.9 million in 1Q2015. As a percentage of revenue, operating expenses has increased from 31.8% in 1Q2014 to 42.7% in 1Q2015.

Selling and distribution expenses increased by RMB24.0 million or 23.0% from RMB104.2 million in 1Q2014 to RMB128.2 million in 1Q2015 mainly due to higher advertising expenses incurred in 1Q2015.

Administrative expenses increased by RMB7.5 million or 23.3% from RMB32.2 million in 1Q2014 to RMB39.7 million in 1Q2015. The major item contributing to the increase was the research and development costs which increased from RMB8.2 million in 1Q2014 to RMB14.3 million in 1Q2015.

Research and development costs increased by RMB6.1 million or 74.4% from RMB8.2 million in 1Q2014 to RMB14.3 million in 1Q2015 due to the higher staff costs and the costs of the materials used for R&D.

Income tax expense

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

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

Deferred tax assets represented temporary differences arising from advertising fees.

Loss attributable to shareholders

The Group recorded a loss before tax of some RMB97.4 million in 1Q2015 as compared to a loss before tax of some RMB56.1 million in 1Q2014 and a net loss attributable to shareholders of some RMB101.3 million in 1Q2015 as compared to a net loss attributable to shareholders of some RMB55.8 million in 1Q2014.

(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 2015 as compared to the Group's Financial Position as at 31 December 2014

Bank and cash balances of the Group increased from RMB29.6 million as at 31 December 2014 to RMB76.4 million as at 31 March 2015.

The Group recorded a net cash inflow from operating activities of some RMB47.9 million for the period ended 31 March 2015. This was mainly due to the loss before tax of some RMB97.4 million and a net decrease in trade payables of some RMB23.6 million which were offset by the net decrease in inventories of some RMB88.8 million and the net decrease in trade receivables of some RMB74.9 million.

Carrying amount of PPE decreased by RMB15.9 million from RMB578.2 million as at 31 December 2014 to RMB562.3 million as at 31 March 2015. This was mainly due to depreciation amounting to some RMB17.2 million in 1Q2015 as offset by the acquisition of production machinery and office equipment of some RMB1.3 million in 1Q2015.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.2 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories decreased by RMB88.7 million or 19.3% from RMB460.2 million as at 31 December 2014 to RMB371.5 million as at 31 March 2015 due to delivery of goods in 1Q2015.

Trade receivables decreased by some RMB74.9 million or 8.4% from RMB888.8 million as at 31 December 2014 to RMB813.9 million as at 31 March 2015. This was in line with the drop in sales.

Trade payables decreased by RMB23.6 million or 3.6% from RMB654.3 million as at 31 December 2014 to RMB630.7 million as at 31 March 2015.

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 1Q2015. This was to avoid straining the Group's cash flow and available working capital for operations.

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

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

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

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

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

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend had been declared or recommended for the period ended 31 March 2015.

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 2015.

BY ORDER OF THE BOARD

Wu Rongguang
Chairman
14 May 2015

Statement Pursuant to SGX Listing Rule 705(4) of the Listing Manual

The Directors confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the above unaudited 1Q2015 financial results to be materially false or misleading.

On behalf of the Board of Directors

Wu Rongguang
Chairman
14 May 2015

Alfred Cheong
Independent Director