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

Half Year Financial Statement And Related Announcement for Period Ended 30 June 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 30 June 2015 and as at 31 December 2014 and the consolidated statements of comprehensive income for the quarter ended 30 June 2015 ("2Q2015"), the quarter ended 30 June 2014 ("2Q2014"), the half-year ended 30 June 2015 ("1H2015") and the half-year ended 30 June 2014 ("1H2014") 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 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, 7 May 2015, 2 June 2015, 30 June 2015 and 31 July 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 31 July 2015 announced that there has been no update in relation to the Potential Offer.

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 2015	30 Jun 2014	%	30 Jun 2015	30 Jun 2014	%
Revenue	223,383	423,068	(47.2)	616,914	852,484	(27.6)
Cost of goods sold	(184,326)	(353,536)	(47.9)	(508,638)	(703,801)	(27.7)
Gross profit	39,057	69,532	(43.8)	108,276	148,683	(27.2)
Other income	1,471	1,818	(19.1)	2,817	3,004	(6.2)
Selling and distribution expenses	(117,057)	(108,153)	8.2	(245,270)	(212,394)	15.5
Administrative expenses	(41,769)	(32,866)	27.1	(81,488)	(65,055)	25.3
Loss from operations	(118,298)	(69,669)	69.8	(215,665)	(125,762)	71.5
Finance costs	(36)	(32)	12.5	(63)	(60)	5.0
Loss before tax	(118,334)	(69,701)	69.8	(215,728)	(125,822)	71.5
Income tax credit/(expense)	4,522	(4,609)	(198.1)	595	(4,288)	(113.9)
Loss attributable to shareholders	(113,812)	(74,310)	53.2	(215,133)	(130,110)	65.3

STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE

Group	3 months ended		Change	6 months ended		Change
(RMB'000)	30 Jun 2015	30 Jun 2014	%	30 Jun 2015	30 Jun 2014	%
Loss attributable to shareholders	(113,812)	(74,310)	53.2	(215,133)	(130,110)	65.3
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	(113,812)	(74,310)	53.2	(215,133)	(130,110)	65.3

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 2015	30 Jun 2014	%	30 Jun 2015	30 Jun 2014	%
Profit before tax is arrived at after charging/(crediting) the following:						
Sundry income	(361)	(1,728)	(79.1)	(1,558)	(2,804)	(44.4)
Interest income	(1,110)	(90)	1,133.3	(1,259)	(200)	529.5
	(1,471)	(1,818)	(19.1)	(2,817)	(3,004)	(6.2)
Refurbishment expenses	19,599	30,831	(36.4)	44,635	74,853	(40.4)
Depreciation and amortisation						
- cost of goods sold	15,296	14,252	7.3	29,108	28,160	3.4
- selling and distribution expenses	846	860	(1.6)	1,814	1,802	0.7
- administrative expenses	2,648	2,562	3.4	5,271	5,368	(1.8)
	18,790	17,674	6.3	36,193	35,330	2.4
Research and development costs	16,956	6,153	175.6	31,274	14,368	117.7
Net loss on property, plant and equipment due to fire (Note)	7,635	-	100.0	7,635	-	100.0
Net loss on inventories due to fire (Note)	8,054	-	100.0	8,054	-	100.0

Note: A fire occurred on 14 June 2015 night at Hongrong Light Industry Plant. Investigation revealed that the fire was probably due to electric short circuit of air conditioner system. There were no casualties. The fire caused damage to two plant buildings and production machinery amounting to RMB76.3 million, and loss of inventory materials amounting to RMB80.5 million. As about 90% of the loss was covered by insurance, the remaining 10% were recognised as expenses.

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 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
NON-CURRENT ASSETS				
Property, plant and equipment	469,318	578,222	-	-
Land use rights	25,220	25,657	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	510,490	619,831	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	321,730	460,249	-	-
Trade receivables	500,096	888,790	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	143,211	6,560	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	183,116	29,596	60	60
	1,149,031	1,386,073	3,008,732	3,008,732
Total assets	1,659,521	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	(2,283,116)	(2,067,983)	82,458	82,458
	902,931	1,118,064	3,192,380	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	530,964	654,260	-	-
Accruals and other payables	161,798	156,964	32,777	32,777
Amount due to executive director	32,873	32,873	32,873	32,873
Current tax liabilities	30,044	42,832	-	-
	755,679	886,929	65,650	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	756,590	887,840	65,650	65,650
Total equity and liabilities	1,659,521	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 30 Jun 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 30 June 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 30/6/15	Group 3 months 30/6/14	Group 6 months 30/6/15	Group 6 months 30/6/14
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(118,334)	(69,701)	(215,728)	(125,822)
Adjustments for:				
Depreciation and amortisation	18,790	17,674	36,193	35,330
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	36	32	63	60
Interest income	(1,110)	(90)	(1,259)	(200)
Operating loss before working capital changes	(84,929)	(52,085)	(165,042)	(90,632)
(Increase)/decrease in inventories	(30,818)	(19,621)	57,980	(20,372)
Decrease/(increase) in trade receivables	313,821	(4,260)	388,694	182,191
Decrease in prepayments, deposits and other receivables	749	2,491	4,548	7,162
Decrease in trade payables	(99,738)	(8,751)	(123,296)	(92,695)
Increase/(decrease) in accruals and other payables	12,781	(22,468)	4,834	(3,376)
Cash generated from/(used in) operations	111,866	(104,694)	167,718	(17,722)
Income tax paid	(4,315)	(2,967)	(12,193)	(3,874)
Other interest paid	(36)	(32)	(63)	(60)
Net cash generated from/(used in) operating activities	107,515	(107,693)	155,462	(21,656)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(1,890)	(1,170)	(3,201)	(2,329)
Interest received	1,110	90	1,259	200
Net cash used in investing activities	(780)	(1,080)	(1,942)	(2,129)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	106,735	(108,773)	153,520	(23,785)
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	76,381	251,202	29,596	166,214
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	183,116	142,429	183,116	142,429
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	183,116	142,429	183,116	142,429
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	183,116	142,429	183,116	142,429

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	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	(130,110)	(130,110)
Balance as at 30/6/2014	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,740,358)	1,445,689
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 30/6/2015	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 30/6/2014	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 30 June 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 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 2015. For the current reporting period ended 30 June 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 30/6/15	3 months ended 30/6/14	6 months ended 30/6/15	6 months ended 30/6/14
Profit/(loss) per share – basic (RMB cents)	(4.06) [2]	(2.65) [2]	(7.68) [1]	(4.65)[1]

Notes:

(1) Loss per ordinary share for 6 months ended 30 June 2015 and 30 June 2014 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 2015 and 30 June 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**
	30/6/15	**31/12/14**	**30/6/15**	**31/12/14**
Based on the issued capital at the end of the financial period/year (RMB cents)	32.25	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 1H2015 as compared to the Group's Performance for 1H2014

Revenue

Revenue decreased by RMB235.6 million or 27.6% from RMB852.5 million in 1H2014 to RMB616.9 million in 1H2015.

Revenue decreased by RMB199.7 million or 47.2% from RMB423.1 million in 2Q2014 to RMB223.4 million in 2Q2015. Due to slow down of China economy, the distributors were closing the low contribution outlets, thus reducing orders to the Group.

The size of retail network was 5,880 ERKE Points of Sale ("**ERKE POS**") as at 30 June 2015 (31 December 2014: 6,526).

Revenue by product segments

	6 months ended 30 Jun 2015		6 months ended 30 Jun 2014		Revenue growth
	RMB'000	**% of revenue**	**RMB'000**	**% of revenue**	%
Footwear	308,989	50.1	537,913	63.1	(42.6)
Apparel	296,617	48.1	310,179	36.4	(4.4)
Accessories	11,308	1.8	4,392	0.5	157.5
Total	616,914	100.0	852,484	100.0	(27.6)

Revenue from sports footwear decreased by RMB228.9 million or 42.6% from RMB537.9 million in 1H2014 to RMB309.0 million in 1H2015 mainly due to decreased order volumes by distributors.

Revenue from sports apparel decreased by RMB13.6 million or 4.4% from RMB310.2 million in 1H2014 to RMB296.6 million in 1H2015 mainly due to decreased order volumes by distributors.

Revenue from sports accessories increased by RMB6.9 million or 156.8% from RMB4.4 million in 1H2014 to RMB11.3 million in 1H2015 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 RMB195.2 million or 27.7% from RMB703.8 million in 1H2014 to RMB508.6 million in 1H2015. This was in line with the decrease in revenue.

Gross profit decreased by RMB40.4 million or 27.2% from RMB148.7 million in 1H2014 to RMB108.3 million in 1H2015. Gross profit margin increased from 17.4% in 1H2014 to 17.6% in 1H2015. Gross profit in 1H2015 decreased as compared to 1H2014 due to lower revenue as a result of drop in order volumes by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by RMB49.3 million or 17.8% from RMB277.5 million in 1H2014 to RMB326.8 million in 1H2015. As a percentage of revenue, operating expenses has increased from 32.6% in 1H2014 to 53.0% in 1H2015.

Selling and distribution expenses increased by RMB32.9 million or 15.5% from RMB212.4 million in 1H2014 to RMB245.3 million in 1H2015. The major item contributing to the increase was the advertising expenses which increased from RMB113.5 million in 1H2014 to RMB162.0 million in 1H2015. This was offset by the decrease in refurbishment expenses which decreased from RMB74.9 million in 1H2014 to RMB44.6 million in 1H2015.

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 increased by RMB16.4 million or 25.2% from RMB65.1 million in 1H2014 to RMB81.5 million in 1H2015 mainly because of the loss on property, plant and equipment of RMB7.6 million and the loss on inventories of RMB8.1 million due to the fire in June 2015.

Another major item of administrative expenses was research and development costs increased by RMB16.9 million or 117.4% from RMB14.4 million in 1H2014 to RMB31.3 million in 1H2015 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.

Profit attributable to shareholders

The Group recorded a loss before tax of some RMB215.7 million in 1H2015 as compared to a loss before tax of some RMB125.8 million in 1H2014 and a net loss attributable to shareholders of some RMB215.1 million in 1H2015 as compared to a net loss attributable to shareholders of some RMB130.1 million in 1H2014.

(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 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 RMB183.1 million as at 30 June 2015.

The Group recorded a net cash inflow from operating activities of some RMB155.5 million for the period ended 30 June 2015. This was mainly due to the loss before tax of some RMB215.7 million and a net decrease in trade payables of some RMB123.3 million which were offset by the net decrease in trade receivables of some RMB388.7 million.

Carrying amount of PPE decreased by RMB108.9 million or 18.8% from RMB578.2 million as at 31 December 2014 to RMB469.3 million as at 30 June 2015. This was mainly due to the fire in June 2015 which led to the loss of property, plant and equipment of RMB76.3 million and depreciation amounting to some RMB35.8 million in 1H2015 as offset by the acquisition of production machinery and office equipment of some RMB3.2 million in 1H2015.

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 RMB138.5 million or 30.1% from RMB460.2 million as at 31 December 2014 to RMB321.7 million as at 30 June 2015. This was mainly due to the fire in June 2015 which led to the loss of inventory materials amounting to RMB80.5 million (90% covered by insurance).

Trade receivables decreased by some RMB388.7 million or 43.7% from RMB888.8 million as at 31 December 2014 to RMB500.1 million as at 30 June 2015. This was in line with the drop in sales.

Prepayments, deposits and other receivables increased by some RMB136.6 million from RMB6.6 million as at 31 December 2014 to RMB143.2 million as at 30 June 2015. The major item as at 30 June 2015 was the insurance receivable amounting to RMB141.2 million, relating to the fire loss on plant building, production machinery and inventory materials.

Trade payables decreased by RMB123.3 million or 18.8% from RMB654.3 million as at 31 December 2014 to RMB531.0 million as at 30 June 2015 due to settlement of outstanding trade debts in 1H2015.

Accruals and other payables increased by RMB4.9 million or 3.1% from RMB156.9 million as at 31 December 2014 to RMB161.8 million as at 30 June 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 1H2015. 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 1Q2015 Results and its actual 1H2015 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 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.

As mentioned in the note in 1(a)(ii), the fire in June 2015 caused significant damage to the plant building, production machinery and inventory materials in the Hongrong Light Industry Plant. About 35% of the Group production capacity is affected. The Group will need to acquire and install new machineries within the next 6 months. The cost is expected to be RMB60mllion.

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 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 1H2015.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
14 August 2015

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 2Q2015 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
14 August 2015

Alfred Cheong
Independent Director