

**CHINA HONGXING SPORTS LIMITED**

**Company Registration No. 36746**

**Incorporated in Bermuda**

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**FURTHER INFORMATION ON THE COMPANY'S FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR PERIOD ENDED 30 SEPTEMBER 2015**

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The Board of Directors (**Board**) of China Hongxing Sports Limited (**Company**) refers to the Company's unaudited financial results for the period ended 30 September 2015 released on 13 November 2015 and the further information requested by the Singapore Exchange Securities Trading Limited (**SGX-ST**) on 27 November 2015 relating to the said announcement.

The Board wishes to provide the following information in response to the queries from the SGX-ST as follows:

**SGX Query 1:**

We note that the selling and distribution expenses amounted to RMB 94.235 million for 3Q2015, which is significant when compared to revenue of RMB 331.541 million and loss before tax of RMB 48.006 million. In view of the significant selling and distribution expenses incurred, please provide the respective amount spent on each form of advertising and explain why selling and distribution expenses of RMB 94.235 million is so significant in comparison to revenue of RMB 331.541 million.

**Company's Response:**

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, The Company is of the view that it is not necessary to provide a breakdown of the respective amount spent on each form of advertising.

As mentioned in the announcement, revenue decreased by RMB465.3 million or 58.4% from RMB796.8 million in 3Q2014 to RMB331.5 million in 3Q2015. Due to slow down of China economy, the distributors were closing the low contribution outlets, thus reducing orders to the Group. Also the fire in June 2015 caused damage to the plant and about 35% of the Group production capacity is affected.

Selling and distribution expenses decreased by RMB23.4 million or 19.9% from RMB117.6 million in 3Q2014 to RMB94.2 million in 3Q2015. The advertising expenses decreased from RMB69.9 million in 3Q2014 to RMB59.4 million in 3Q2015.

The Group was cutting down the advertising expenses. However, revenue in 3Q2015 decreased significantly due to the reasons mentioned above. These led to the selling and distribution expenses be significant in comparison to revenue.

**SGX Query 2:**

We note that trade receivables as at 30 September 2015 amounted to RMB 492.043 million, which is significant in comparison to revenue of RMB 331.541 million. Please provide an aging schedule of the trade receivables and disclose more details for debts that are long overdue. For debts that are long overdue, please state the Company's view on the recoverability of such debts.

**Company's Response:**

Trade receivables as at 30 September 2015 were all within 180 days. There were no debts which were long overdue.

**SGX Query 3:**

Noting that Cost of Goods sold and revenue for 3Q2015 amounted to only RMB 263.919 million and RMB 331.541 million respectively, please provide a breakdown by type for inventories of RMB 448.985 million.

**Company's Response:**

The Company did not disclose the breakdown by type for inventories in its previous results announcements. To be consistent, the Company is of the view that it is not necessary to provide a breakdown by type for inventories.

By Order of the Board

Madelyn Kwang Yeit Lam  
Company Secretary  
30 November 2015