

CHINA HONGXING SPORTS LIMITED

Company Registration No. 36746

Incorporated in Bermuda

**FURTHER INFORMATION ON THE COMPANY'S FINANCIAL STATEMENTS AND RELATED
ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2016**

The Board of Directors (**Board**) of China Hongxing Sports Limited (**Company**) refers to the Company's unaudited financial results for the year ended 31 December 2016 released on 1 March 2017 and the further information requested by the Singapore Exchange Securities Trading Limited (**SGX-ST**) on 25 April 2017 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:

It was disclosed in the cash flow statement under "Acquisition of property, plant and equipment" that the Company had acquired RMB 100 million of property, plant and equipment ("PPE") for FY2015 and FY2016.

- a. Please disclose the details of what these acquired PPE are.
- b. Please provide the reasons for the Company acquiring these PPE.
- c. Please disclose how much the Company has spent on new PPE in the last two years, and how these were financed.
- d. Please disclose what is the capacity utilisation rate of the plant(s) and machinery.

Company's Response:

- a. These acquired PPE for FY2015 and FY2016 were cost of rebuilding a 7-storey high plant building of amount Rmb52 million, renovation of a plant building of amount Rmb9 million and production machineries of amount Rmb39 million.
- b. A fire occurred in June 2015 at Hongrong Light Industry Plant. The fire caused damage to two plant buildings and production machineries. The Company had to rebuild one plant building, renovate the other plant building and acquire new production machineries.
- c. See a above for amount spent. The acquisitions were financed by working capital and insurance claims.
- d. Capacity utilisation rate of the plant is 75%

SGX Query 2:

It was disclosed that management had written off “an amount of RMB 37.0 million being uncollectible amounts aged over 6 months.

- a. Please provide a list of the significant debtors.
- b. Please disclose if the Company had continued to trade with these customers after they had stopped paying.
- c. Please disclose what actions were taken by the Audit Committee to verify that the trade receivables have not been collected, and what actions had been taken to collect the amount.
- d. Please provide detailed aging of the debts incurred and which financial year were sales made.

Company's Response:

As explained in the announcement, management has carried out a review of the trade receivables in 3Q2016 and wrote off an amount of Rmb37.0 million being uncollectible amounts aged over 6 months. The Company considered this prudent practice to write off all amounts which are due over 180 days.

- a. List of the significant debtors as below:

Guangdong distributor
Shenyang distributor
Guangxi distributor
Hefei distributor
Fujian distributor
Shandong distributor
Chengdu distributor
Hangzhou distributor

- b. The Company continues to trade with these customers. It is because market conditions are not good and the Company needs them to sell our products. The Company will continue to chase for payment. It is only for prudent accounting that we write off debt over 6 months.
- c. The Company sells to selected exclusive distributors only with 90 to 120 days credit period. The Audit Committee has instructed management to monitor these distributors stringently and to look for new distributors if possible.

d. Ageing of Trade receivables as at 31 December 2016:

Within 90 days RMB198 million

91-120 days RMB45 million

121-180 days RMB32 million

By Order of the Board

Madelyn Kwang Yeit Lam

Company Secretary

27 April 2017