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

Half Year Financial Statement And Related Announcement for Period Ended 30 June 2014

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 2014 and as at 31 December 2013 and the consolidated statements of comprehensive income for the quarter ended 30 June 2014 ("2Q2014"), the quarter ended 30 June 2013 ("2Q2013"), the half-year ended 30 June 2014 ("1H2014") and the half-year ended 30 June 2013 ("1H2013") 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. On 31 July 2013, the Company announced on SGXNet that SGX-ST had responded to the Company's trading resumption proposal and is prepared to allow the trading of the Company's shares to resume subject to the conditions set out in the announcement.**

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 1H2012. The Independent Reporting Accountant have completed their audit of the financial results for FY2010 and FY2011 and their review of the financial results for 1H2012.**

g) **On 29 August 2014, 2 October 2014, 31 October 2014 and 1 December 2014, the Company announced that it was not in a position to and will not be proceeding with the trading resumption proposal and was undertaking all strategic options available to the Company.**

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 2014	30 Jun 2013	%	30 Jun 2014	30 Jun 2013	%
Revenue	423,068	879,712	(51.9)	852,484	1,361,503	(37.4)
Cost of goods sold	(353,536)	(663,335)	(46.7)	(703,801)	(1,089,604)	(35.4)
Gross profit	69,532	216,377	(67.9)	148,683	271,899	(45.3)
Other income	1,818	540	236.7	3,004	765	292.7
Selling and distribution expenses	(108,153)	(81,284)	33.1	(212,394)	(171,907)	23.6
Administrative expenses	(32,866)	(37,431)	(12.2)	(65,055)	(74,582)	(12.8)
(Loss)/profit from operations	(69,669)	98,202	(170.9)	(125,762)	26,175	(580.5)
Finance costs	(32)	(22)	45.5	(60)	(47)	27.7
(Loss)/profit before tax	(69,701)	98,180	(171.0)	(125,822)	26,128	(581.6)
Income tax expense	(4,609)	(33,940)	(86.4)	(4,288)	(35,060)	(87.8)
(Loss)/profit attributable to shareholders	(74,310)	64,240	(215.7)	(130,110)	(8,932)	(1,356.7)

STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE

Group	3 months ended		Change	6 months ended		Change
(RMB'000)	30 Jun 2014	30 Jun 2013	%	30 Jun 2014	30 Jun 2013	%
(Loss)/profit attributable to shareholders	(74,310)	64,240	(215.7)	(130,110)	(8,932)	(1,356.7)
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	(74,310)	64,240	(215.7)	(130,110)	(8,932)	(1,356.7)

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 2014	30 Jun 2013	%	30 Jun 2014	30 Jun 2013	%
Profit before tax is arrived at after charging/(crediting) the following:						
Sundry income	(1,728)	(455)	279.8	(2,804)	(558)	402.5
Interest income	(90)	(85)	5.9	(200)	(207)	(3.4)
	(1,818)	(540)	236.7	(3,004)	(765)	292.7
Refurbishment expenses	30,831	9,285	232.1	74,853	19,366	286.5
Depreciation and amortisation						
- cost of goods sold	14,252	14,966	(4.8)	28,160	29,944	(6.0)
- selling and distribution expenses	860	895	(3.9)	1,802	1,789	0.7
- administrative expenses	2,562	2,645	(3.1)	5,368	5,291	1.5
	17,674	18,506	(4.5)	35,330	37,024	(4.6)
Research and development costs	6,153	7,136	(13.8)	14,368	13,584	5.8
Foreign exchange loss	-	3	(100.0)	-	3	(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 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
NON-CURRENT ASSETS				
Property, plant and equipment	608,414	640,977	-	-
Land use rights	26,097	26,535	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	650,463	683,464	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	511,312	490,940	-	-
Trade receivables	841,279	1,023,470	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	1,051	8,213	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	142,429	166,214	61	61
	1,496,949	1,689,715	3,008,733	3,008,733
Total assets	2,147,412	2,373,179	3,258,031	3,258,031
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	(1,740,358)	(1,610,248)	86,093	86,093
	1,445,689	1,575,799	3,196,015	3,196,015
LIABILITIES				
Current liabilities				
Trade payables	480,853	573,548	-	-
Accruals and other payables	148,609	151,985	32,523	32,523
Amount due to executive director	29,493	29,493	29,493	29,493
Current tax liabilities	41,857	41,443	-	-
	700,812	796,469	62,016	62,016
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	701,723	797,380	62,016	62,016
Total equity and liabilities	2,147,412	2,373,179	3,258,031	3,258,031

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 2014		As at 31 Dec 2013	
	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 2014 and as at 31 December 2013.

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 30/6/14	Group 3 months 30/6/13	Group 6 months 30/6/14	Group 6 months 30/6/13
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(69,701)	98,180	(125,822)	26,128
Adjustments for:				
Depreciation and amortisation	17,674	18,506	35,330	37,024
Other interest expenses	32	22	60	47
Interest income	(90)	(85)	(200)	(207)
Operating (loss)/profit before working capital changes	(52,085)	116,623	(90,632)	62,992
(Increase)/decrease in inventories	(19,621)	86,845	(20,372)	79,469
(Increase)/decrease in trade receivables	(4,260)	(369,275)	182,191	(394,773)
Decrease in prepayments, deposits and other receivables	2,491	444	7,162	19,068
(Decrease)/increase in trade payables	(8,751)	28,997	(92,695)	(48,934)
(Decrease)/increase in accruals and other payables	(22,468)	73,448	(3,376)	64,033
Increase in amount due to executive director	-	792	-	792
Cash used in operations	(104,694)	(62,126)	(17,722)	(217,353)
Income tax paid	(2,967)	(11,301)	(3,874)	(14,256)
Other interest paid	(32)	(22)	(60)	(47)
Net cash used in operating activities	(107,693)	(73,449)	(21,656)	(231,656)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(1,170)	(13)	(2,329)	(13)
Interest received	90	85	200	207
Net cash (used in)/generated from investing activities	(1,080)	72	(2,129)	194
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,773)	(73,377)	(23,785)	(231,462)
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	251,202	122,071	166,214	280,156
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	142,429	48,694	142,429	48,694
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	142,429	48,694	142,429	48,694
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	142,429	48,694	142,429	48,694

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 1/1/2014	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
Group – Previous Period								
Balance as at 1/1/2013 (restated)	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,240,986)	1,945,061
Total comprehensive income for the financial period	-	-	-	-	-	-	(8,932)	(8,932)
Balance as at 30/6/2013	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(1,249,918)	1,936,129
Company – Current 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
Company – Previous Period								
Balance as at 1/1/2013	56,595	2,978,708	-	43,125	31,494	-	94,308	3,204,230
Total comprehensive income for the financial period	-	-	-	-	-	-	(8,215)	(8,215)
Balance as at 30/6/2013	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 2014 and 31 December 2013, 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 2014. For the current reporting period ended 30 June 2014, 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 30/6/14	3 months ended 30/6/13	6 months ended 30/6/14	6 months ended 30/6/13
Profit/(loss) per share – basic (RMB cents)	(2.65) [2]	2.29 [2]	(4.65) [1]	(0.32) [1]

Notes:

(1) Loss per ordinary share for 6 months ended 30 June 2014 and 30 June 2013 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 2014 and profit per ordinary share for 3 months ended 30 June 2013 were calculated based on unaudited loss and unaudited profit attributable to shareholders respectively 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**
	30/6/14	**31/12/13**	**30/6/14**	**31/12/13**
Based on the issued capital at the end of the financial period/year (RMB cents)	51.63	56.28	114.14	114.14
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 1H2014 as compared to the Group's Performance for 1H2013

Revenue

Revenue decreased by RMB509.0 million or 37.4% from RMB1,361.5 million in 1H2013 to RMB852.5 million in 1H2014.

The size of retail network was 6,126 ERKE Points of Sale ("**ERKE POS**") as at 30 June 2014 (31 December 2013: 6,189).

Revenue by product segments

	6 months ended 30 Jun 2014		6 months ended 30 Jun 2013		Revenue growth
	RMB'000	% of revenue	RMB'000	% of revenue	%
Footwear	537,913	63.1	615,975	45.2	(12.7)
Apparel	310,179	36.4	712,077	52.3	(56.4)
Accessories	4,392	0.5	33,451	2.5	(86.9)
Total	852,484	100.0	1,361,503	100.0	(37.4)

Revenue from sports footwear decreased by RMB78.1 million or 12.7% from RMB616.0 million in 1H2013 to RMB537.9 million in 1H2014 mainly due to drop in order volumes by distributors.

Revenue from sports apparel decreased by RMB401.9 million or 56.4% from RMB712.1 million in 1H2013 to RMB310.2 million in 1H2014 mainly due to drop in order volumes by distributors.

Revenue from sports accessories decreased by RMB29.1 million or 86.9% from RMB33.5 million in 1H2013 to RMB4.4 million in 1H2014 due to decreased order volumes of a variety of bags, hats and socks by distributors. The Company understands from its ERKE POS operators and distributors that the stronger demand for these bags, hats and socks in 1H2013 is due to the launch of the "Micro-Collar Tee" product series and corresponding introduction of related accessories to this product series. In addition, sports accessories were offered to consumers in 1H2013 at a discount for the purchase of sports footwear and/or sports apparel as a means of marketing strategy.

Cost of goods sold and gross profit margin

Cost of goods sold decreased by RMB385.8 million or 35.4% from RMB1,089.6 million in 1H2013 to RMB703.8 million in 1H2014. This was in line with the decrease in revenue.

Gross profit decreased by RMB123.2 million or 45.3% from RMB271.9 million in 1H2013 to RMB148.7 million in 1H2014. Gross profit margin decreased from 20.0% in 1H2013 to 17.4% in 1H2014. Gross profit in 1H2014 decreased as compared to 1H2013 due to lower revenue as a result of drop in order volumes by distributors. The gross profit margin for 1H2014 declined as compared to 1H2013 due to lower apparel sales in 1H2014 as compared with 1H2013.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by RMB31.0 million or 12.6% from RMB246.5 million in 1H2013 to RMB277.5 million in 1H2014. As a percentage of revenue, operating expenses has increased from 18.1% in 1H2013 to 32.6% in 1H2014.

Selling and distribution expenses increased by RMB40.5 million or 23.6% from RMB171.9 million in 1H2013 to RMB212.4 million in 1H2014 mainly due to higher refurbishment expenses of some RMB74.9 million in 1H2014.

Administrative expenses decreased by RMB9.5 million or 12.7% from RMB74.6 million in 1H2013 to RMB65.1 million in 1H2014 mainly because the Group has continued to exercise tight control over administrative expenses.

Research and development costs increased by RMB0.8 million or 5.9% from RMB13.6 million in 1H2013 to RMB14.4 million in 1H2014 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 RMB125.8 million in 1H2014 as compared to a profit before tax of some RMB26.1 million in 1H2013 and a net loss attributable to shareholders of some RMB130.1 million in 1H2014 as compared to a net loss attributable to shareholders of some RMB8.9 million in 1H2013.

(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 2014 as compared to the Group's Financial Position as at 31 December 2013

Bank and cash balances of the Group decreased from RMB166.2 million as at 31 December 2013 to RMB142.4 million as at 30 June 2014.

The Group recorded a net cash outflow from operating activities of some RMB21.7 million for the period ended 30 June 2014. This was mainly due to the loss before tax of some RMB125.8 million and a net decrease in trade payables of some RMB92.7 million which were offset by the net decrease in trade receivables of some RMB182.2 million.

Carrying amount of PPE decreased by RMB32.6 million from RMB641.0 million as at 31 December 2013 to RMB608.4 million as at 30 June 2014. This was mainly due to depreciation amounting to some RMB34.9 million in 1H2014 as offset by the acquisition of production machinery and office equipment of some RMB2.3 million in 1H2014.

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 increased by 4.2% from RMB490.9 million as at 31 December 2013 to RMB511.3 million as at 30 June 2014.

Trade receivables decreased by some RMB182.2 million or 17.8% from RMB1,023.5 million as at 31 December 2013 to RMB841.3 million as at 30 June 2014. This was mainly due to the comparatively lower sales in 2Q2014 (RMB423.1 million).

Trade payables decreased by RMB92.6 million or 16.1% from RMB573.5 million as at 31 December 2013 to RMB480.9 million as at 30 June 2014 due to settlement of outstanding trade debts in 1H2014.

Accruals and other payables decreased by RMB3.4 million or 2.2% from RMB152.0 million as at 31 December 2013 to RMB148.6 million as at 30 June 2014.

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 1H2014. 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 30 June 2014.

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 1H2014.

BY ORDER OF THE BOARD

Wu Rongguang
Chairman
4 December 2014

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 2Q2014 financial results to be materially false or misleading.

On behalf of the Board of Directors

Wu Rongguang
Chairman
4 December 2014

Alfred Cheong
Independent Director