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

Third Quarter Financial Statement And Related Announcement for Period Ended 30 September 2017

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 September 2017 and as at 31 December 2016 and the consolidated statements of comprehensive income for the quarter ended 30 September 2017 ("3Q2017"), the quarter ended 30 September 2016 ("3Q2016"), the 9 months ended 30 September 2017 and the 9 months ended 30 September 2016 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) **It was announced on 29 August 2014 that the Company was not in a position to and will not be proceeding with the Company's trading resumption proposal.**

g) **It was announced 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. It was subsequently announced on 3 May 2017 that it is unlikely the Potential Offer will materialise.**

h) It was announced on 21 September 2017 that the Company has, on 20 September 2017, entered into a conditional sale and purchase agreement with Jiayao Investments Limited in relation to the disposal of 10,000 ordinary shares, representing the entire issued and paid-up capital of Profitstart Group Limited, a wholly-owned subsidiary of the Company, for an aggregate consideration of RMB100,000,000 (the "Proposed Disposal").

i) It was announced on 2 October 2017 that the Company has appointed Provenance Capital Pte. Ltd. as the independent financial adviser to advise the Directors of the Company who are considered independent for the purpose of the Proposed Disposal, on whether the Proposed Disposal is on normal commercial terms, and whether the Proposed Disposal is prejudicial to the interests of the Company and its minority shareholders.

j) The financial results disclosed in this announcement have not been reviewed or audited by 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 9 MONTHS ENDED 30 SEPTEMBER

Group	3 months ended		Change	9 months ended		Change
(RMB'000)	30 Sep 2017	30 Sep 2016	%	30 Sep 2017	30 Sep 2016	%
Revenue	212,631	260,431	(18.4)	983,971	893,978	10.1
Cost of goods sold	(163,530)	(209,923)	22.1	(768,716)	(699,717)	(9.9)
Gross profit	49,101	50,508	(2.8)	215,255	194,261	10.8
Other income	836	855	(2.2)	2,250	3,009	(25.2)
Selling and distribution expenses	(106,369)	(69,246)	(53.6)	(272,804)	(240,156)	(13.6)
Administrative expenses	(23,580)	(21,257)	(10.9)	(83,037)	(90,316)	8.1
Other loss	(22,000)	(37,000)	40.5	(22,000)	(37,000)	40.5
Loss from operations	(102,012)	(76,140)	(34.0)	(160,336)	(170,202)	5.8
Finance costs	(34)	(42)	19.0	(124)	(130)	4.6
Loss before tax	(102,046)	(76,182)	(34.0)	(160,460)	(170,332)	5.8
Income tax expense	6,649	(2,260)	394.2	(6,576)	(10,929)	39.8
Loss attributable to shareholders	(95,397)	(78,442)	(21.6)	(167,036)	(181,261)	7.8

STATEMENT OF COMPREHENSIVE INCOME FOR 9 MONTHS ENDED 30 SEPTEMBER

Group	3 months ended		Change	9 months ended		Change
(RMB'000)	30 Sep 2017	30 Sep 2016	%	30 Sep 2017	30 Sep 2016	%
Loss attributable to shareholders	(95,397)	(78,442)	(21.6)	(167,036)	(181,261)	7.8
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	(95,397)	(78,442)	(21.6)	(167,036)	(181,261)	7.8

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	9 months ended		Change
(RMB'000)	30 Sep 2017	30 Sep 2016	%	30 Sep 2017	30 Sep 2016	%
Profit before tax is arrived at after charging/(crediting) the following:						
Sundry income	(692)	(697)	(0.7)	(1,810)	(2,539)	(28.7)
Interest income	(144)	(158)	(8.9)	(440)	(470)	(6.4)
	(836)	(855)	(2.2)	(2,250)	(3,009)	(25.2)
Refurbishment expenses	10,968	8,976	22.2	22,758	33,083	(31.2)
Depreciation and amortisation						
- cost of goods sold	12,349	13,518	(8.6)	35,927	38,229	(6.0)
- selling and distribution expenses	752	842	(10.7)	2,602	2,587	0.6
- administrative expenses	2,377	2,414	(1.5)	7,131	7,419	(3.9)
	15,478	16,774	(7.7)	45,660	48,235	(5.3)
Research and development costs	9,909	9,594	3.3	31,714	29,816	6.4
Trade receivables written off (Note 1)	22,000	37,000	(40.5)	22,000	37,000	(40.5)

Note 1: Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

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 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
NON-CURRENT ASSETS				
Property, plant and equipment	442,935	473,122	-	-
Land use rights	23,245	23,903	-	-
Deferred tax assets	15,952	15,952	-	-
Investments in subsidiaries	-	-	249,298	249,298
	482,132	512,977	249,298	249,298
CURRENT ASSETS				
Inventories, at cost	353,730	355,130	-	-
Trade receivables	263,880	275,167	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	6,128	6,012	-	-
Due from a subsidiary	-	-	3,008,672	3,008,672
Bank and cash balances	5,061	89,670	-	60
	629,677	726,857	3,008,672	3,008,732
Total assets	1,111,809	1,239,834	3,257,970	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	(2,877,809)	(2,710,773)	79,770	82,458
	308,238	475,274	3,189,692	3,192,380
LIABILITIES				
Current liabilities				
Trade payables	517,569	490,719	-	-
Accruals and other payables	179,358	171,820	3,750	2,777
Amounts due to shareholders	64,528	62,873	64,528	62,873
Current tax liabilities	41,205	38,237	-	-
	802,660	763,649	68,278	65,650
NON-CURRENT LIABILITIES				
Deferred tax liabilities	911	911	-	-
Total liabilities	803,571	764,560	68,278	65,650
Total equity and liabilities	1,111,809	1,239,834	3,257,970	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 Sep 2017		As at 31 Dec 2016	
	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 September 2017 and as at 31 December 2016.

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 30/9/17	Group 3 months 30/9/16	Group 9 months 30/9/17	Group 9 months 30/9/16
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(102,046)	(76,182)	(160,460)	(170,332)
Adjustments for:				
Depreciation and amortisation	15,478	16,774	45,660	48,235
Other interest expenses	34	42	124	130
Interest income	(144)	(158)	(440)	(470)
Operating loss before working capital changes	(86,678)	(59,524)	(115,116)	(122,437)
(Increase)/decrease in inventories	(2,905)	14,109	1,400	58,227
Decrease in trade receivables	30,155	41,976	11,287	121,580
(Increase)/decrease in prepayments, deposits and other receivables	(471)	6,681	(116)	5,643
Increase in trade payables	41,909	173,085	26,850	93,558
Increase in accruals and other payables	5,667	17,195	7,538	7,186
Increase in amounts due to shareholders	145	-	1,655	-
Cash (used in)/generated from operations	(12,178)	193,522	(66,502)	163,757
Income tax paid	(60)	(2,414)	(3,608)	(7,706)
Other interest paid	(34)	(42)	(124)	(130)
Net cash (used in)/generated from operating activities	(12,272)	191,066	(70,234)	155,921
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(1,960)	(1,395)	(14,815)	(5,954)
Interest received	144	158	440	470
Net cash used in investing activities	(1,816)	(1,237)	(14,375)	(5,484)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,088)	189,829	(84,609)	150,437
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,149	117,498	89,670	156,890
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	5,061	307,327	5,061	307,327
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	5,061	307,327	5,061	307,327
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	5,061	307,327	5,061	307,327

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 1/1/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,710,773)	475,274
Total comprehensive income for the financial period	-	-	-	-	-	-	(167,036)	(167,036)
Balance as at 30/9/2017	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,877,809)	308,238
Group – Previous Period								
Balance as at 1/1/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,486,423)	699,624
Total comprehensive income for the financial period	-	-	-	-	-	-	(181,261)	(181,261)
Balance as at 30/9/2016	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,667,684)	518,363
Company – Current Period								
Balance as at 1/1/2017	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	(2,688)	(2,688)
Balance as at 30/9/2017	56,595	2,978,708	-	43,125	31,494	-	79,770	3,189,692
Company – Previous Period								
Balance as at 1/1/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-
Balance as at 30/9/2016	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held 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 and subsidiary holdings.

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 September 2017 and 31 December 2016, the share capital of the Company comprised 2,800,000,000 ordinary shares.

1(d)(iv) A statement showing all sales, transfers, 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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2017. For the current reporting period ended 30 September 2017, 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 30/9/17	3 months ended 30/9/16	9 months ended 30/9/17	9 months ended 30/9/16
Loss per share – basic (RMB cents)	(3.41) [2]	(2.80) [2]	(5.97) [1]	(6.47) [1]

Notes:

(1) Loss per ordinary share for 9 months ended 30 September 2017 and 30 September 2016 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 September 2017 and 30 September 2016 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**
	30/9/17	**31/12/16**	**30/9/17**	**31/12/16**
Based on the issued capital at the end of the financial period/year (RMB cents)	11.01	16.97	113.92	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 3Q2017 as compared to the Group's Performance for 3Q2016

Revenue

Revenue decreased by RMB47.8 million or 18.4% from RMB260.4 million in 3Q2016 to RMB212.6 million in 3Q2017. The decrease was mainly due to decreased orders in sports footwear.

The size of retail network was 3,835 ERKE Points of Sale ("**ERKE POS**") as at 30 September 2017 (31 December 2016: 4,592).

Revenue by product segments

	3Q 2017		3Q 2016		Revenue growth
	RMB'000	**% of revenue**	**RMB'000**	**% of revenue**	%
Footwear	88,710	41.7	163,867	62.9	(45.9)
Apparel	118,084	55.5	93,064	35.7	26.9
Accessories	5,837	2.8	3,500	1.4	66.8
Total	212,631	100.0	260,431	100.0	(18.4)

Revenue from sports footwear decreased by RMB75.2 million or 45.9% from RMB163.9 million in 3Q2016 to RMB88.7 million in 3Q2017 mainly due to decreased order volumes by distributors.

Revenue from sports apparel increased by RMB25.0 million or 26.9% from RMB93.1 million in 3Q2016 to RMB118.1 million in 3Q2017 mainly due to increased order volumes by distributors.

Revenue from sports accessories increased by RMB2.3 million or 65.7% from RMB3.5 million in 3Q2016 to RMB5.8 million in 3Q2017 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 RMB46.4 million or 22.1% from RMB209.9 million in 3Q2016 to RMB163.5 million in 3Q2017. This was in line with the decrease in revenue.

Gross profit decreased by RMB1.4 million or 2.8% from RMB50.5 million in 3Q2016 to RMB49.1 million in 3Q2017. Gross profit margin increased from 19.4% in 3Q2016 to 23.1% in 3Q2017. Gross profit in 3Q2017 decreased as compared to 3Q2016 mainly due to lower revenue as a result of decrease in order volumes of sports footwear by distributors, but partially offset by increase in order volumes of sports apparel by distributors.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by RMB39.5 million or 43.6% from RMB90.5 million in 3Q2016 to RMB130.0 million in 3Q2017. As a percentage of revenue, operating expenses has decreased from 34.8% in 3Q2016 to 61.1% in 3Q2017.

Selling and distribution expenses increased by RMB37.2 million or 53.8% from RMB69.2 million in 3Q2016 to RMB106.4 million in 3Q2017. The major item contributing to the increase was the advertising expenses which increased from RMB38.6 million in 3Q2016 to RMB85.9 million in 3Q2017, and the refurbishment expenses which increased from RMB9.0 million in 3Q2016 to RMB11.0 million in 3Q2017.

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 RMB2.3 million or 10.8% from RMB21.3 million in 3Q2016 to RMB23.6 million in 3Q2017. The Group has continued to exercise tight control over administrative expenses.

The major item of administrative expenses was research and development costs which increased by RMB0.3 million or 3.1% from RMB9.6 million in 3Q2016 to RMB9.9 million in 3Q2017 due to the higher staff costs and the costs of the materials used for R&D.

Other loss represented trade receivables written off. Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

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 RMB102.0 million in 3Q2017 as compared to a loss before tax of some RMB76.2 million in 3Q2016 and a net loss attributable to shareholders of some RMB95.4 million in 3Q2017 as compared to a net loss attributable to shareholders of some RMB78.4 million in 3Q2016.

(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 September 2017 as compared to the Group's Financial Position as at 31 December 2016

Bank and cash balances of the Group decreased from RMB89.7 million as at 31 December 2016 to RMB5.1 million as at 30 September 2017.

The Group recorded a net cash outflow from operating activities of some RMB70.2 million for the period ended 30 September 2017. This was mainly due to the loss before tax of some RMB160.4 million, net decrease in trade receivables of some RMB11.3 million, net increase in trade payables of some RMB26.9 million and net decrease in inventories of some RMB1.4 million.

Carrying amount of PPE decreased by RMB30.2 million or 6.4% from RMB473.1 million as at 31 December 2016 to RMB442.9 million as at 30 September 2017. This was mainly due to the depreciation amounting to some RMB45.0 million in the 9 months ended 30 September 2017 as offset by the acquisition of production machinery and office equipment of some RMB14.8 million in the 9 months ended 30 September 2017.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.7 million due mainly to amortisation charge for the period.

Deferred tax assets represented temporary differences arising from advertising fees.

Inventories decreased by some RMB1.4 million or 0.4% from RMB355.1 million as at 31 December 2016 to RMB353.7 million as at 30 September 2017.

Trade receivables decreased by some RMB11.3 million or 4.1% from RMB275.2 million as at 31 December 2016 to RMB263.9 million as at 30 September 2017. Management has carried out a review of the trade receivables in 3Q2017 and wrote off an amount of Rmb22 million being uncollectible amounts aged over 6 months.

Trade payables increased by RMB26.9 million or 5.5% from RMB490.7 million as at 31 December 2016 to RMB517.6 million as at 30 September 2017. The increase was because of increase in trade payables which were due end of 2017.

Accruals and other payables increased by RMB7.6 million or 4.4% from RMB171.8 million as at 31 December 2016 to RMB179.4 million as at 30 September 2017.

The "Amount due to shareholders" represented amounts due to Mr Wu Rongguang and Mr Denis Wu.

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 2Q2017 Results and its actual 3Q2017 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.

On 21 September 2017, the Company had announced the disposal of the entire underlying business of the Group, via the sale of 100% of Profitstart Group Limited ("Target Company" and together with its subsidiaries, the "Target Group") to Jiayao Investments Limited ("Purchaser") for a consideration of RMB100 million. The Company wishes to clarify that the Company and the Purchaser had agreed, as part of the terms of the Proposed Disposal, to waive the amount due from the Target Group which amounted to RMB3,008.7 million as at 30 June 2017. As a consequence of the waiver, the Adjusted NAV of the Target Group would then be RMB470,735,000 as at 30 June 2017.

Further information on the Proposed Disposal will be set out in a circular to shareholders in due course.

In view of the downturn of the China economy, the Group expects that it will continue to face challenges as market conditions are expected to remain highly competitive in the next 12 months. As a result, the Group has concerns over the reduced spending on discretionary purchases.

The Group will continue to exercise stringent cash control. The Company's cash position was RMB5.1 million as at 30 September 2017. The Company can continue to operate on a going concern basis so long as the controlling shareholders continue to support the Company's operations.

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 September 2017.

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 30 September 2017.

14. Confirmation 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 3Q2017 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay
Independent Director
1 November 2017

Alfred Cheong
Independent Director

15. Confirmation of Directors and Executive Officers' Undertakings Pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company has procured required undertakings to comply with the Exchange's listing rules from all the Independent Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

Charles Chan
Independent Director
1 November 2017