

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

**Half Year Financial Statement And Related Announcement for Period Ended 30 June 2018**

**CAUTIONARY NOTE:**

The Company had, 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 capital and paid-up capital of Profitstart Group Limited (the “**Target Company**”, and together with its subsidiaries, the “**Target Group**”), a wholly-owned subsidiary of the Company, for an aggregate consideration of RMB100,000,000 (the “**Disposal**”).

The Disposal was approved by shareholders at the special general meeting of the Company held on 28 March 2018, and completed on 25 May 2018.

After the completion of the disposal of Profitstart Group Limited on 25 May 2018, the Company became a cash company pursuant to Rule 1018 of the Listing Manual (“**Rule 1018**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Board of Directors are pleased to announce the consolidated results of the Group for the half-year ended 30 June 2018. 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**

	<b>3 months ended</b>		<b>Change</b>	<b>6 months ended</b>		<b>Change</b>
(RMB'000)	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>	<b>%</b>	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>	<b>%</b>
		(Restated)			(Restated)	
Administrative expenses	(1,642)	(1,510)	(8.7)	(1,642)	(1,510)	(8.7)
Loss from operations	(1,642)	(1,510)	(8.7)	(1,642)	(1,510)	(8.7)
Finance costs	-	-	N/A	-	-	N/A
Loss from continuing operations	(1,642)	(1,510)	(8.7)	(1,642)	(1,510)	(8.7)
Loss from discontinued operations (net of tax) <sup>(1)</sup>	(58,552)	(47,346)	(23.7)	(295,252)	(70,129)	(321.0)
Loss attributable to shareholders	(60,194)	(48,856)	(23.2)	(296,894)	(71,639)	(314.4)

**STATEMENT OF COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE**

<b>Group</b> (RMB'000)	<b>3 months ended</b>		<b>Change</b> %	<b>6 months ended</b>		<b>Change</b> %
	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>		<b>30 Jun 2018</b>	<b>30 Jun 2017</b>	
Loss attributable to shareholders	(60,194)	(48,856)	(23.2)	(296,894)	(71,639)	(314.4)
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive income for the period	(60,194)	(48,856)	(23.2)	(296,894)	(71,639)	(314.4)

Note:

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

**1(a)(ii) Other information:**

Note 1: Please refer to Note 8 for details. Loss from discontinued operations included the related income and expenses up to 25 May 2018, being the date of completion of the disposal of Profitstart Group Limited.

Note 2: Comparative figures were restated to show the loss from discontinued operations.

**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)	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	-	430,251	-	-
Land use rights	-	23,025	-	-
Deferred tax assets	-	15,952	-	-
Investments in subsidiaries	-	-	-	249,298
	-	469,228	-	249,298
<b>CURRENT ASSETS</b>				
Inventories, at cost	-	355,222	-	-
Trade receivables	-	326,340	-	-
Land use rights – current portion	-	878	-	-
Prepayments, deposits and other receivables	-	5,916	-	-
Due from a subsidiary	-	-	-	3,008,672
Bank and cash balances	3,958	23,455	3,958	-
	3,958	711,811	3,958	3,008,672
<b>Total assets</b>	3,958	1,181,039	3,958	3,257,970
<b>EQUITY</b>				
Issued capital	56,595	56,595	56,595	56,595
Share premium	2,956,308	2,978,708	2,956,308	2,978,708
Statutory reserve	-	125,518	-	-
Foreign currency translation reserve	43,125	(27,822)	43,125	43,125
Contributed surplus	31,494	31,494	31,494	31,494
Revaluation reserve	-	21,554	-	-
(Accumulated loss)/retained profits	(3,087,314)	(2,866,545)	(3,087,314)	79,770
	208	319,502	208	3,189,692
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	-	591,118	-	-
Accruals and other payables	3,750	161,153	3,750	3,750
Amounts due to shareholders	-	64,528	-	64,528
Current tax liabilities	-	43,827	-	-
	3,750	860,626	3,750	68,278
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	-	911	-	-
<b>Total liabilities</b>	3,750	861,537	3,750	68,278
<b>Total equity and liabilities</b>	3,958	1,181,039	3,958	3,257,970

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

	<b>As at 30 Jun 2018</b>		<b>As at 31 Dec 2017</b>	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	-	-	-	-

The Group does not have any outstanding borrowings and debt securities as at 30 June 2018 and as at 31 December 2017.

**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.**

	Group		Group	
	3 months	3 months	6 months	6 months
(RMB'000)	30/6/18	30/6/17	30/6/18	30/6/17
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax				
Continuing operations	(1,642)	(1,510)	(1,642)	(1,510)
Discontinued operations	(56,502)	(46,286)	(285,588)	(56,904)
Adjustments for:				
Depreciation and amortisation	14,988	15,274	30,127	30,182
Other interest expenses	40	49	80	90
Loss on disposal of subsidiary	7,472		208,032	
Interest income	(150)	(144)	(290)	(296)
Operating loss before working capital changes	(35,794)	(32,617)	(49,281)	(28,438)
(Increase)/decrease in inventories	(13,102)	(5,535)	73,077	4,305
Decrease/(increase) in trade receivables	4,970	24,204	47,326	(18,868)
Decrease/(increase) in prepayments, deposits and other receivables	218	(871)	791	355
Increase/(decrease) in trade payables	36,496	(4,527)	(77,054)	(15,059)
Increase/(decrease) in accruals and other payables	709	8,837	621	1,871
Increase in amounts due to shareholders	-	1,510	-	1,510
Cash used in operations	(6,503)	(8,999)	(4,520)	(54,324)
Income tax paid	(2,050)	(1,187)	(3,982)	(3,548)
Other interest paid	(40)	(49)	(80)	(90)
Net cash used in operating activities	(8,593)	(10,235)	(8,582)	(57,962)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of subsidiary	15,124	-	15,124	-
Acquisition of property, plant and equipment	(1,025)	(8,544)	(3,929)	(12,855)
Interest received	150	144	290	296
Net cash generated from/(used in) investing activities	14,249	(8,400)	11,485	(12,559)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash distribution	(22,400)	-	(22,400)	-
Net cash used in financing activities	(22,400)	-	(22,400)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(16,744)	(18,635)	(19,497)	(70,521)
Effect of foreign exchange rate changes	-	-	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	20,702	37,784	23,455	89,670
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	3,958	19,149	3,958	19,149
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Bank and cash balances	3,958	19,149	3,958	19,149
Less: Fixed bank deposits over three months	-	-	-	-
Cash and cash equivalents	3,958	19,149	3,958	19,149

Note 1: The discontinued operations refer to the Target Group classified as held for sale under IFRS 5.

**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
<b>Group – Current Period</b>								
<b>Balance as at 1/1/2018</b>	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,866,545)	319,502
Disposal of subsidiary	-	-	(125,518)	70,947	-	(21,554)	76,125	-
Share premium reduction	-	(22,400)	-	-	22,400	-	-	-
Cash distribution	-	-	-	-	(22,400)	-	-	(22,400)
Total comprehensive income for the financial period	-	-	-	-	-	-	(296,894)	(296,894)
<b>Balance as at 30/6/2018</b>	56,595	2,956,308	-	43,125	31,494	-	(3,087,314)	208
<b>Group – Previous Period</b>								
<b>Balance as at 1/1/2017</b>	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	-	-	-	-	-	-	(71,639)	(71,639)
<b>Balance as at 30/6/2017</b>	56,595	2,978,708	125,518	(27,822)	31,494	21,554	(2,782,412)	403,635
<b>Company – Current Period</b>								
<b>Balance as at 1/1/2018</b>	56,595	2,978,708	-	43,125	31,494	-	79,770	3,189,692
Share premium reduction	-	(22,400)	-	-	22,400	-	-	-
Cash distribution	-	-	-	-	(22,400)	-	-	(22,400)
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,167,084)	(3,167,084)
<b>Balance as at 30/6/2018</b>	56,595	2,956,308	-	43,125	31,494	-	(3,087,314)	208
<b>Company – Previous Period</b>								
<b>Balance as at 1/1/2017</b>	56,595	2,978,708	-	43,125	31,494	-	82,458	3,192,380
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,510)	(1,510)
<b>Balance as at 30/6/2017</b>	56,595	2,978,708	-	43,125	31,494	-	80,948	3,190,870

- 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 June 2018 and 31 December 2017, 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.

- 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 periods beginning on 1 January 2018. For the current reporting period ended 30 June 2018, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

The Group is applying IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" on the Disposal.

**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 30/6/18	3 months ended 30/6/17	6 months ended 30/6/18	6 months ended 30/6/17
Loss per share – basic (RMB cents)				
Continuing operation	(0.06) <sup>(2)</sup>	(0.05) <sup>(2)</sup>	(0.06) <sup>(1)</sup>	(0.05) <sup>(1)</sup>
Discontinued operation	(2.09) <sup>(2)</sup>	(1.69) <sup>(2)</sup>	(10.54) <sup>(1)</sup>	(2.50) <sup>(1)</sup>

Notes:

- (1) Loss per ordinary share for 6 months ended 30 June 2018 and 30 June 2017 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 2018 and 30 June 2017 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 30/6/18	Group 31/12/17	Company 30/6/18	Company 31/12/17
Based on the issued capital at the end of the financial period/year (RMB cents)	0.01	11.41	0.01	113.92
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 1H2018 as compared to the Group's Performance for 1H2017**

**Continuing operation**

Administrative expenses were professional fees incurred by the Company in 1H2018 and 1H2017.

**Discontinued operation**

The Company had, 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 capital and paid-up capital of Profitstart Group Limited (the "Target Company", and together with its subsidiaries, the "Target Group"), a wholly-owned subsidiary of the Company, for an aggregate consideration of RMB100,000,000 (the "Disposal").



The Disposal was approved by shareholders at the special general meeting of the Company held on 28 March 2018, and completed on 25 May 2018.

The results of the discontinued operation for the period 1 January 2018 to 25 May 2018, being the date of completion of the Disposal were as follows:

(RMB'000)	1 Jan 2018 to 25 May 2018	1H2017
Revenue	602,304	771,340
Cost of goods sold	(467,487)	(605,186)
Gross profit	134,817	166,154
Other income	1,425	1,414
Selling and distribution expenses	(161,636)	(166,435)
Administrative expenses	(52,082)	(57,947)
Loss from operations	(77,476)	(56,814)
Finance costs	(80)	(90)
Loss before tax	(77,556)	(56,904)
Income tax expense	(9,664)	(13,225)
Loss attributable to shareholders	<u>(87,220)</u>	<u>(70,129)</u>

The loss for the period from the discontinued operation is analysed as follows:

Loss from discontinued operation	(87,220)	(70,129)
Loss on disposal of discontinued operation	(208,032)	-
Loss attributable to shareholders	<u>(295,252)</u>	<u>(70,129)</u>

Loss on disposal of Profitstart Group Limited of RMB 208.0 million is calculated on the basis of the disposal consideration of RMB 100 million less net assets of the discontinued operation as at the date of disposal of RMB 300.6 million and waiver of cash distribution of RMB 7.5 million by the substantial shareholders.

**(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 2018 as compared to the Group's Financial Position as at 31 December 2017**

After the completion of the disposal of Profitstart Group Limited on 25 May 2018, the Company became a cash company. As at 30 June 2018, cash at bank is RMB 4.0 million and accruals and other payables is RMB 3.8 million.

**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 1Q2018 Results and its actual 1H2018 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.**

After the completion of the disposal of Profitstart Group Limited, the Company ceases to have any operating business and is deemed to be a cash company under Rule 1018 of the Listing Manual ("Rule 1018"). The Company intends to maintain its listing status on the SGX-ST as a cash company and seek a suitable new business to be injected/acquired.

Although the Company will be actively pursuing the acquisition of a new business, there is no assurance that this will be achieved or that will be achieved within the time frame prescribed in Rule 1018(2) of the Listing Manual and there is a risk that the Company may be delisted if it is unable to meet the applicable requirements for the listing of a new business.

**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 2018.

**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.**

Jiayao Investments Limited, the purchaser of Profitstart Group Limited in the Disposal, is wholly owned by Denis Wu. Denis Wu, being a sibling of Wu Rongguang, a Controlling Shareholder of the Company, is an associate of Wu Rongguang. Denis Wu and Wu Hanjie, the father of Denis Wu and Wu Rongguang, are also both substantial shareholders of the Company. Accordingly, the Disposal constitutes an "Interested Person Transaction" under Chapter 9 of the Listing Manual.

The Disposal was approved by shareholders at the special general meeting of the Company held on 28 March 2018, and completed on 25 May 2018.

**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 1H2018 financial results to be materially false or misleading.

On behalf of the Board of Directors

Bernard Tay  
Independent Director  
14 August 2018

Alfred Cheong  
Independent Director  
14 August 2018

**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  
14 August 2018