
YELI
CHINA SPORTS INTERNATIONAL LIMITED
我的目标.不断成为另一个你
YES LIVE
ALWAYS ON THE MOVE
ANNUAL REPORT 2010

CONTENTS

ABOUT US

China Sports International Limited is engaged in the design, manufacture and sale of sports fashion footwear and design and sale of sports fashion apparel and accessories under its own YELI brand. The Group's products are designed for both functional use and casual use, catering to the lifestyle of its targeted consumer group aged between 12 to 30 years old. The products are mainly sold through distributors who have a retail network of more than 1,900 points of sale throughout second, third and fourth tier cities in the PRC.


在我的领地
击败上一秒的自己
YES LIVE.

INDIVIDUALITY IS

Our style moves you.
Our fashion moves with you.

CHAIRMAN'S STATEMENT

LIN SHAOXIONG Chairman & CEO

"In FY 10, the total retail sales of consumer goods in China achieved a real growth of 14.8%. This is because of the rapid increase of the income of urban and rural residents; thus, presenting a huge growth potential for China's sportswear industry."

Dear Shareholders,

On behalf of the Board of Directors of China Sports International Limited, I am pleased to present you our annual report for the year ended 31 December 2010 ("FY 10").

Although the People's Republic of China's ("PRC") economy has rebounded since the implementation of the stimulus package by the PRC government, market conditions are expected to remain challenging in the near term due to increasing competition. Additionally, inflation concerns have resulted in the implementation of certain tightening measures by the PRC authorities.

Nonetheless, we are pleased to see that our continued marketing efforts in boosting YELI brand value as well as improving contribution from higher margin YELI apparel to Group revenue has improved gross profit margin for the Group to 16.8% in FY 10 from 15.3% in the previous year.

FY10 Highlights

For FY 10, our Group revenue declined 35.8% to RMB 1.22 billion from RMB 1.90 billion in the same period last year ("FY 09"). Net profit after tax for the year in review was RMB 66.3 million, a 45.9% decrease from RMB 122.6 million in FY 09. Earnings per share for the year was 7.28 RMB cents while net asset value per share as at 31 December 2010 was at 116.13 RMB cents.

Over the past year, we have had to manage intense competition in the industry. Certain international brands as well as the first and second tier brands in the PRC continued to expand their market share by engaging in price wars. Furthermore, our distributors have also become more cautious when placing orders as they are aware of the intensified competition. These factors have affected the performance of our footwear products. However, the Group understands that consumer spending power has been on the uptrend and awareness of fashion trends and brand value for sportswear products has also been rising. This offers huge growth potential for China's sportswear industry. Although short-term growth for the Group might be hampered, the Group will focus its efforts in product design and innovation to tap on consumers' increasing affluence and demand for quality products.

In FY 10, the total retail sales of consumer goods in China achieved a real growth of 14.8% too. This is because of the rapid increase of the income of urban and rural residents; thus, presenting a huge growth potential for China's sportswear industry, especially in the lower tier cities. The Group, therefore, believes that there is further room for optimum sales.

During the year, footwear remained the main contributor to Group revenue, accounting for 72.3% of Group revenue in FY 10, down from 79.1% in FY 09. Apparel contribution to Group revenue has increased to 25.5% in FY 10 from 20.2% in FY 09. Accessories' contribution to Group revenue jumped to 2.2% in FY 10 from 0.7% in FY 09. Both apparel and accessories' contribution to Group revenue increased in FY 10 due to the opening of more YELI specialty stores, therefore enabling us to sell a broader range of YELI products.

Overall footwear gross profit margin improved slightly in FY 10 to 10.5% from 10.1% in FY 09. YELI apparel gross profit margin decreased slightly in FY 10 to 35.1% from 35.8% in FY 09 mainly due to higher sub-contracting cost. The gross profit margin for YELI accessories, on the other hand, improved to 11.8% in FY 10 from 7.1% in FY 09 as more YELI specialty stores were opened and orders from distributors to fulfill the minimum order quantities from the sub-contractors were more easily attained.

In FY 10, the Group also acquired an industrial plot of land measuring 5,000 square metres in Jinjiang City, Fujian province for RMB 15 million. The Group plans to construct a new multi-complex on the land acquired, which would include a new warehouse, additional assembly line, administration office as well as new showroom for YELI products. The cost for the construction of the multi-complex is estimated to be approximately RMB 70 million.

Dividend

The Board of Directors proposes a tax-exempt one-tier first and final dividend of RMB0.0065 per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting.

Outlook for 2011

With the accelerated urbanisation in China and the rapid growth in spending power in the second, third, and fourth tier cities, coupled with enhanced awareness and increasing spending of consumers on health, leisure, and sports, the Group remains optimistic of the long-term growth potential for the sportswear market in the PRC.

In FY 11, to maintain our competitive edge and to better appeal to our target audience, we will continue to focus on the Group's strategy of product development, and strengthen our YELI brand value through advertising and promotional ("A&P") campaigns. We will also expand and upgrade our distribution network by opening more YELI specialty stores, thereby increasing awareness of our YELI brand and enhancing market differentiation for the YELI brand.

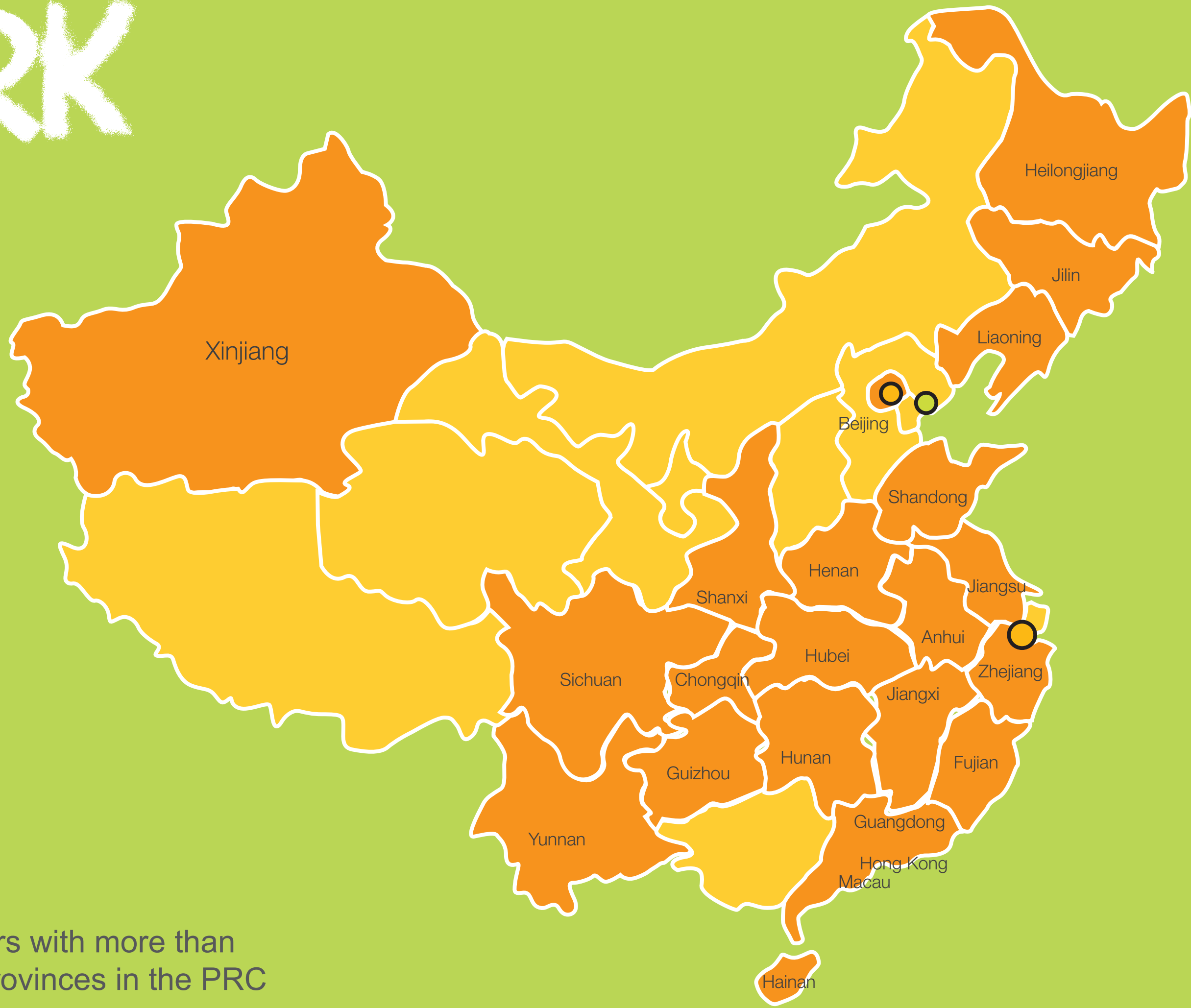
In this aspect, we have recently introduced a new range of YELI footwear products with breathable soles—one of our many tactics towards YELI product differentiation. The Group will also focus on improving its product mix by increasing the contribution from higher margin YELI apparel.

Barring any unforeseen circumstances, the Group is expected to remain profitable in FY2011.

Appreciation

I would like to extend my gratitude to my fellow directors, shareholders, management, and staff for their effort, advice, and trust. With your faith and support, we will continue to move forward with confidence.

DISTRIBUTION NETWORK



Network in PRC

China Sports has approximately 20 distributors with more than 1,900 points of sale covering more than 20 provinces in the PRC

GLOBAL NETWORK

We also produce footwear on an OEM basis for various brands and export to different countries around the world.

BOARD OF DIRECTORS

Mr Lin Shaoxiong (林少雄)
Executive Chairman and CEO

He was appointed onto the Board of Directors of our Company on 9 April 2007. He is responsible for the strategic business direction and development of our Group. Mr Lin Shaoxiong started his career in Hengfa Light Industry in 1998 at its inception, as its Director, where he was responsible for business development and day-to-day operations of our Group. His responsibilities included overseeing product development, sales and production functions of Hengfa Light Industry and liaising with key customers, suppliers and the various government authorities. He was a councillor in Jinjiang City, Fujian Province Youth Commercial Club from 2005 to 2007 and Fujian Province Footwear Association (福建省鞋协会) from 2006 to 2007. He has also been the Honorary Chairman of the Quanzhou City Sino-foreign Association (泉州市中外联谊协会) since 2006. Mr Lin Shaoxiong graduated with a Diploma in Business Management from the Fujian Forestry College in 1999.

Mr Lin Shaoqin (林少钦)
Executive Director

He was appointed onto the Board of Directors of our Company on 10 April 2007. Mr Lin Shaoqin is also the Sales and Marketing Manager of our Group and is responsible for all aspects of the sales and marketing of our products. He started his career with us in 2004 as a trainee, during which he became well acquainted with all aspects of our business and operation. Thereafter, he was appointed the Sales and Marketing Manager in 2005, and helped develop our Sales and Marketing Department to expand our sales and distribution network. He graduated from the Jin Nan Chinese School, Manila, Philippines in 2003 with a diploma in Economics.

Ms Lai Chin Yee (黎静仪)
Independent Director

Ms Lai Chin Yee was appointed in 4 June 2007 as our Lead Independent Director. She has more than 22 years of experience in auditing, taxation, finance and accounting and is currently the Finance Director of Qian Hu Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). She is also the Lead Independent Director of other companies listed on the SGX-ST, namely Ryobi Kiso Holdings Ltd and CCM Group Limited. Prior to joining Qian Hu Corporation Limited in 2000, Ms Lai was an auditor with international public accounting firms since 1987. From December 2006 to August 2007, she was appointed by the Ministry of Finance as a Council Member of the Council on Corporate Disclosure and Governance (CCDG). She is a member of the CFO Committee of the Institute of Certified Public Accountant of Singapore ("ICPAS") since May 2009.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the ICPAS (FCPA). In 2009, she was named the Chief Financial Officer of the Year (for companies listed on the SGX-ST with less than $300 million in market capitalisation) at the Singapore Corporate Awards.

Mr Tham Hock Chee (谭学持)
Independent Director

Mr Sim Hong Boon (沈鸿文)
Independent Director

Mr Tham was appointed as our Independent Director on 4 June 2007. From 1972 to 1973, he worked in a German tool company, Fraesmaeschinen Reckermann as a Production Planner. Thereafter, he worked in the Singapore Economic Development Board as an investment officer from 1973 to 1979, where he was responsible for investment promotion and industrial training. He then joined Guthrie Singapore as a Product Manager in 1979 till 1983. From 1984 to 1985, Mr Tham worked as a General Sales Manager of Polaroid Singapore Private Limited. From 1985 to 1999, Mr Tham joined the Trade Development Board as the manager for Market Development (emerging markets) and was promoted to director in 1995, where he was responsible for the approval of subsidies for local companies through evaluation of their financial viability. Mr Tham subsequently worked in the Singapore Confederation of Industries as its Secretary General and was responsible for its entire operation and financial matters, including budget and financial control and cashflow management. He was later appointed a Senior Management Consultant in Droege & Comp Singapore Pte Ltd, a German management consulting company in 2002 till 2003. Between 2003 and July 2004, Mr Tham worked as a freelance management consultant. He then joined Sitoca Pte Ltd in July 2004 as a director of business development. Mr Tham left Sitoca Pte Ltd in March 2005 and is now a freelance management consultant. He received a scholarship from the German Government to study in Germany in 1967, where he graduated in 1972 as a Production Engineer from Fachhochschule Hamburg.

Mr Sim was appointed as our Independent Director and the Chairman of the Nomination Committee of our Company on 27 April 2010. He is a Fellow (Life) of the Singapore Institute Architects, Fellow of the Royal Australian Institute of Architects, Fellow of the Society of Project Management Singapore, Member of the British Institute of Architects, Member of the Singapore Institute of Planners and Member of the Malaysian Institute of Architects.

Mr Sim served on various local and international professional organisations. He was the President of the Singapore Institute of Architects (1974-1978), Member of the Board of Architects (1973-1980) and Professional Engineers' Board (1977-1980), Member of the Commonwealth Board of Architectural Education (1975-1987), Honorary Secretary of the Architects' Regional Council Asia ("Arcasia") and Chairman, Arcasia Board of Architectural Education (1976-1987).

Mr Sim held several directorships in private and listed companies in Singapore, China and Holland. He was the Chairman of the Supervisory Board, Aabe Fabrieken B.V. and Aabe Holland (1983-1993). He held several foreign government appointments, as Advisor to the Commanding Office for the Development of the Jinan Yao Qiang Airport (1989), Advisor for Trade & Economic Development to the Municipal Government of City of Jinan (1993), Advisor to the Committee for the Development of Jinan High Technology Industrial Park (1993), Senior Economic Advisor to the Municipal Government of Zao Zhuang City, Shandong Province and Representative of the Indian Tourism Development Corporation for East and South East Asia (2005). He was a Member of the Singapore Shandong Business Council (1993-1999) and (2004-2006) and an Executive Committee Member of the Shandong Business Club (1995-1999).

Mr Sim received the Public Service Medal National Day Award in 1981 and the Public Service Star (BBM) in 2003. In 2005, he was appointed Justice of the Peace by the President of Singapore.

Mr Sim graduated with Associateship in Architecture from Perth Technical College Western Australia in 1965 and a Master of Arts (Urban Planning) degree in 1974 from the National University of Singapore.

OPERATIONS REVIEW

REVENUE

For the three months ended 31 December 2010 ("4Q 10"), the Group recorded revenue of approximately RMB 260.0 million, a decrease of approximately RMB 137.3 million or 34.6% over revenue of approximately RMB 397.3 million for the previous corresponding period ("4Q 09"). For the year ended 31 December 2010 ("FY 10"), revenue decreased by approximately RMB 681.8 million or 35.8% to RMB 1,223.0 million from RMB 1,904.8 million in the previous corresponding period ("FY 09").

The decrease in revenue in 4Q 10 and FY 10 was mainly attributable to the increasing competition in the industry, especially for footwear products, therefore resulting in weaker demand for our products. Accordingly, our distributors, aware of the intensified competition, became more prudent when placing their orders for footwear and apparel products.

Footwear

In FY 10, footwear products recorded approximately RMB 884.4 million in revenue, representing a decrease of approximately RMB 621.9 million or 41.3% over sales of footwear products of approximately RMB 1,506.3 million for FY 09. Revenue from YELI footwear amounted to approximately RMB 604.3 million, a decrease of approximately RMB 511.6 million or 45.8% over a revenue of approximately RMB 1,115.9 million in FY 09. The decrease was mainly attributed to the intensified competition in the footwear business in the PRC, resulting in price wars. Our distributors, aware of the stronger competition, have also become more cautious when placing their orders for footwear products.

Although the portion of YELI footwear revenue over total footwear revenue had decreased to 68.3% in FY 10, down from 74.1% in FY 09, there was an increase of YELI footwear revenue over total footwear revenue in 4Q 10 to 73.8% from 66.5% in 4Q 09.

In FY 10, our Group recorded OEM footwear revenue of approximately RMB 280.1 million, a decrease of approximately RMB 110.3 million or 28.3% over revenue of approximately RMB 390.4 million in FY 09. The decrease was mainly due to the decrease in lower margin orders from certain OEM customers.

In 4Q 10, our Group recorded OEM footwear revenue of approximately RMB 44.2 million, a decrease of approximately RMB 62.8 million or 58.7% over revenue of approximately RMB 107.0 million in 4Q 09. The decrease was mainly due to the decrease in lower margin orders from certain OEM customers. The portion of OEM footwear revenue over total footwear revenue had increased to 31.7% in FY 10, up from 25.9% in FY 09. There was a decrease in OEM footwear revenue over total footwear revenue in 4Q 10 from 33.5% to 26.2% as compared to 4Q 09.

Apparel

Although in FY 10, our YELI apparel sales decreased to approximately RMB 311.4 million, the proportion of apparel sales has increased, representing approximately 33.0% and 25.5% of our YELI revenue and of our total revenue respectively as compared to approximately 25.4% and 20.2% of our YELI revenue and our total revenue respectively in FY 09. With the increasing number of YELI specialty stores, we were able to expand the range of YELI apparel products sold to our target customers. This has resulted in higher sales contribution from apparel products to Group revenue.

During FY 10, our distributors were more prudent when placing orders, and there was weaker consumer demand. These have inevitably affected the revenue for YELI apparel. However, as the number of YELI specialty stores increased, the contribution to the YELI apparel revenue increased as well. In 4Q 10, our Group recorded apparel revenue of approximately RMB 83.0 million, an increase of approximately RMB 9.2 million or 12.5% over revenue of approximately RMB 73.8 million in 4Q 09.

Accessories

In FY 10, our YELI accessories sales was approximately RMB 27.2 million which represented 2.9% and 2.2% of our YELI revenue and our total revenue in FY 10, as compared to only approximately 0.9% and 0.7% of our YELI revenue and our total revenue in FY 09. This was mainly attributed to the opening of more YELI specialty stores.

Our Group recorded accessories revenue of approximately RMB 8.4 million in 4Q 10, an increase of approximately RMB 4.5 million or 115.4% as compared to RMB 3.9 million in 4Q 09. This was also mainly attributed to more YELI specialty stores being opened.

The sales of FIFA products was not material in 4Q 10 and the sales of FIFA products will also be suspended due to the termination of our distribution rights and the reversion of all rights previously granted to Global Brands (Football) Pte Ltd by FIFA. Our Group will continue discussions with FIFA regarding this issue, in order to maximise value for our shareholders.

Number of sales outlets for our YELI products in the PRC:

	FY 10	FY 09	Growth
Points-of-sale	Over 1,930*	Over 1,975*	(2)%
YELI specialty stores	Over 730	Over 580	26%

• The above number of points-of-sale was compiled by aggregating the number of sales outlets provided to us by each of our distributors. The number of points-of-sales includes YELI specialty stores.

The distribution network for our YELI products in the PRC decreased by approximately 2% from over 1,975 points of sales as at FY 09 to over 1,930 points-of-sale as at FY 10. Over the same period, the number of specialty stores increased by 26% from over 580 to over 730. Our Group continued to execute our strategy to improve the mix of our points of sales, by reducing the number of shops-in-shops while adding more specialty stores. This is because specialty stores are mostly located at street level and have larger display areas to carry a wider range of YELI products. With the increasing number of YELI specialty stores, we were able to expand the varieties of YELI products sold to our target consumers.

Cost of Goods Sold

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 596.0 million or 36.9% to approximately RMB 1,018.0 million in FY 10 from approximately RMB 1,614.0million in FY 09.

With the lower revenue, the subcontracting cost (including raw materials) of the footwear products, apparel, and accessories decreased by approximately RMB 188.3 million or 32.1% to approximately RMB 397.8 million in FY 10 from approximately RMB 586.1 million in FY 09. The decrease was mainly due to more of the production of footwear products being shifted back from sub-contractors to our factories for better quality control.

In line with the revenue decrease in 4Q 10 as compared to 4Q 09, our cost of sales decreased by approximately RMB 133.2 million or 38.4% to approximately RMB 213.3 million in 4Q 10 from approximately RMB 346.5 million in 4Q 09.

Our gross profit decreased by approximately RMB 85.8 million or 29.5% to approximately RMB 205.0 million in FY 10 from approximately RMB 290.8 million in FY 09. Our overall gross profit margin increased from 15.3% in FY 09 to 16.8% in FY 10 while in 4Q 10 our overall gross profit margin increased to 17.9% from 12.8% in 4Q 09. On a sequential basis, our overall gross profit margin had decreased from 19.5% in 3Q 10 to 17.9% in 4Q 10. The decrease of gross profit margins was mainly attributable to increased cost of production.

Overall footwear gross profit margin in 4Q 10 was comparable to 4Q 09. The decrease of the gross profit margin of YELI apparel in FY 10 and 4Q 10 as compared to FY 09 and 4Q 09 respectively were mainly due to higher sub-contracting costs. The gross profit margin for YELI accessories improved as more YELI specialty stores were opened and orders from distributors to fulfill the minimum order quantities from the sub-contractors were attained with more ease. The gross profit margin for YELI accessories is expected to improve as there is room for optimum sales quantities to be achieved. Although there is improvement of gross profit margin for YELI accessories, the relatively lower gross profit margin, when compared to apparels, was mainly due to the initial set-up and development cost incurred for this new range of products.

Other Operating Income

Other operating income comprised of interest income from bank deposits. The increase in other operating income in 4Q 10 and FY 10 was mainly due to more interest income derived from higher bank balances.

Operating Expenses

In total, operating expenses, which include selling and distribution expenses and administrative expenses, decreased by approximately RMB 25.9 million or 19.6% to approximately RMB 106.3 million in FY 10 from approximately RMB 132.2 million in FY 09. As a percentage of revenue, operating expenses increased to approximately 8.7% in FY 10 from approximately 6.9% in FY 09.

The main decrease in total operating expenses came from selling and distribution costs which decreased by approximately RMB 34.5 million or 31.1% from approximately RMB 110.8 million in FY 09 to approximately RMB 76.3 million in FY 10 and decreased by approximately RMB 23.3 million or 59.7% from approximately RMB 39.0 million in 4Q 09 to approximately RMB 15.7 million in 4Q 10. The decrease was due to the full depreciation of outlet fixtures in 2009. The above was offset by our Group incurring additional expenses for advertising and promotional purposes of approximately RMB 9.9 million in 4Q 10 to enhance the brand value of YELI and the provision of sales rebate to encourage the distributors for attaining the point of sales.

Administrative expenses increased by approximately RMB 8.6 million or 40.2% to approximately RMB 30.0 million in FY 10 from approximately RMB 21.4 million in FY 09. The increase was due mainly to higher professional and consultancy expenses incurred for the placement of shares in 1Q 10 and also the commission incurred for FIFA in 2Q 10. The increase of administrative expenses in 4Q 10 by approximately RMB 5.7 million was mainly attributed to the higher legal and professional expenses incurred for the set-up of the share repurchase and share options for the Group in 4Q 10 and a higher withholding tax rate.

Finance Costs

Finance costs in FY 10 and 4Q 10 were comparable to FY 09 and 4Q 09.

Income Tax

Income tax expense decreased by approximately RMB 3.4 million or 8.8% to approximately RMB 34.2 million in FY 10 from approximately RMB 37.6 million in FY 09. The decrease was due mainly to the decrease in profit before tax in FY 10. The effective tax rate of approximately 34.0% in

OPERATIONS REVIEW

FY 10 was approximately 10.5% higher than FY 09 as a result of non-deductible expenses which had incurred additional tax of approximately RMB 2.7 million charged by the PRC tax authority.

Non Current Assets

Due to depreciation of the property, plant and equipment, net book value of property, plant and equipment decreased by approximately RMB 14.1 million or 17.8% to approximately RMB 65.2 million in FY 10 from approximately RMB 79.3 million in FY 09.

Land use rights and intangible assets increased by approximately RMB 14.7 million or 524% to approximately RMB 17.4 million in FY 10 from approximately RMB 2.8 million in FY 09. This was mainly attributed to the purchase of land use rights in the PRC in April 2010 which amounted to RMB 15 million. This is offset by the amortisation of land use rights, patent and other intangible assets. The increase of pre-payment as at FY 10 was mainly attributed to the deposit of RMB 10 million for the order of the furniture and fixtures which will be used for sponsoring our distributors' specialty stores in the coming year and also the deposit of RMB 20 million for the construction cost of the new multi-complex.

Current Assets

In FY 10, our Group's inventories, comprising of mainly raw materials and finished goods, increased by approximately RMB 3.2 million or 12.8% to approximately RMB 28.7 million in FY 10 from approximately RMB 25.5 million in FY 09. The increase was to maintain sufficient levels of raw materials to hedge against the increase in prices of raw materials.

Trade receivables increased by approximately RMB 113.5 million or 69.3% to approximately RMB 277.2 million in FY 10 from approximately RMB 163.7 million in FY 09. The increase in balances was mainly due to the Group's provision of longer credit terms to our distributors to align with market conditions. Other receivables and pre-payments increased by approximately RMB 2.9 million or 13.1% to approximately RMB 24.9 million in FY 10from approximately RMB 22.0 million in FY 09. The increase was mainly attributed to the pre-payment for the supplier to secure the prices of raw materials.

In FY 10, we had cash and cash equivalents of approximately RMB 923.1 million. The increase in cash and cash equivalents was due mainly to the lower net cash used in operating and investing activities as compared to the net cash from financing activities.

The cash and cash equivalents were mainly bank deposits denominated in RMB and Singapore Dollars. As at FY 10, we did not enter into any financial derivative arrangements because our operations are mainly in PRC and the main operational currency is RMB.

Current Liabilities

Trade payables and bills payables increased by approximately RMB 17.6 million or 12.0% to approximately RMB 164.0 million in FY 10 from approximately RMB 146.4 million in FY 09. This was due to longer credit terms secured from suppliers in order to match the extended credit term granted to customers as mentioned earlier.

Accrued liabilities, other payables (including wages payables, accrued utilities expenses) and amount owing to director decreased from approximately RMB 96.0 million in FY 09 to approximately RMB 67.7 million in FY 10. The decrease was mainly due to the repayment of approximately RMB 29.9 million to Mr Lin in January 2010 and the settlement of other payables and accrued liabilities.

In FY 10, we had bank borrowings of approximately RMB 35.0 million. The increase in the amount of bank loans as compared to FY 09 was due to new bank loans of approximately RMB 15.0 million and RMB 10.0 million obtained in February 2010 and December 2010, respectively.

CASH FLOW STATEMENT

Net Cash used in Operating Activities

Operating cashflow before working capital changes decreased by approximately RMB 89.8 million or 44.5% to approximately RMB 112.0 million in FY 10 from approximately RMB 201.8 million in FY 09. The decrease was mainly due to the decrease in operating profit in FY 10 as compared to the corresponding periods in 2009.

The decrease in trade receivables of approximately RMB 12.7 million was mainly due to the Group wanting to further control credit exposure.

Net Cash used in Investing Activities

Net cash used in investing activities was approximately RMB 45.1 million in FY 10. This was mainly attributable to the acquisition of land of RMB 15 million in April 2010 and the pre-payment for the construction of the multi-complex and the outlet fixtures in December 2010.

Net Cash from Financing Activities

Net cash from financing activities was approximately RMB 9.9 million and RMB 117.0 million in 4Q 10 and FY 10 respectively. These were mainly due to proceeds from the placement of shares of approximately RMB 101.2 million received in FY 10 together with the increase in bills payable of approximately RMB 43.4 million in FY 10 and the net increase in bank loans of RMB 10 million and RMB 25 million in 4Q 10 and FY 10 respectively. The above was offset by the settlement of amount owing to a Director of approximately RMB 32.5 million in FY 10 and the increase of the amount owing to a Director of approximately RMB 0.4 million in 4Q 10.

Use of IPO and Rights Issue Proceeds

The following table details the utilisation of IPO proceeds up to 31 December 2010:

No.	Planned Usage	IPO Proceeds (RMB million)	Cumulative amount use (RMB million)	Balance (RMB million)
1.	Acquisition and/or construction of new manufacturing facilities, addition of new production lines and upgrading of manufacturing facilities	110.1	110.1	0.0
2.	Advertising and promotional activities	40.0	40.0	0.0
3.	Expansion of distribution network and increase of sales channel	40.0	40.0	0.0
4.	Enhance product design and development efforts	30.0	30.0	0.0
5.	General working capital	153.7	153.7	0.0
		373.8	373.8	0.0

The following table details the utilisation of Rights Issue proceeds up to 31 December 2010:

No.	Planned Usage	Rights Issue Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Upgrading and expansion of the distribution network including opening new specialty stores, provision of renovation subsidies to our Group's distributors to upgrade premises and development of new markets	25.0	23.0	2.0
2.	A&P activities to promote the "YELI" brand including print, television and web-based advertisements, sponsorship of events, other public relations activities	35.0	35.0	0.0
3.	General working capital	10.8	10.8	0.0
		70.8	68.8	2.0

The following table details the utilisation of Placement proceeds up to 31 December 2010:

No.	Planned Usage	Placement Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Setting up a distribution network for FIFA products, including setting up FIFA modular stores and FIFA Official Event Stores	85.0	0.6	84.4
2.	Advertising and promotional activities to promote FIFA products including print, television, and web-based advertisements, sponsorship of events, other public relations activities	15.0	1.5	13.5
		100.0	2.1	97.9

TECHNOLOGY

Our new range of breathable shoes
provides you with ULTIMATE FORM
and SUPREME FUNCTIONALITY.

野力全球专利首创高效呼吸透气鞋

第二代呼吸鞋的专利技术介绍：

鞋底的中底横向开出9个凹槽，凹槽的两端形成通风口，鞋底前脚掌部分3条凹槽共开出12个0.8厘米透气孔，脚跟后半部6条凹槽共开了18个0.8厘米透气孔，每只鞋底共开了30个透气孔，在中底衬也同样开了30个0.8厘米的透气孔与鞋底的透气气孔相连通，用高密度、透气性好、防臭的海波棉作面衬，一只面衬冲了120 个0.3厘米透气孔，带来良好舒适性。

缓震鞋底技术

轻型高密度PHYLON材质的分层组合，缓冲吸震作用良好，有效保护脚踝不受伤

反渗透透气技术

侧面防反渗透气孔技术，保证日常的防水性，适合长时间穿着

抗疲劳人体工程学技术

人体工程学的波浪曲线设计，减轻前脚掌的弯曲抗力，降低运动疲劳感

全掌呼吸II代

Second Generation Breathable shoes

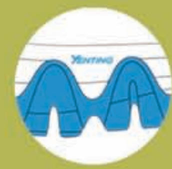
全裹式
缓震后跟

高耐磨前侧
刹车橡胶

防风琴吸纳
透气面料

链型流线
舒适底侧

SBR环保型
橡胶透气大底



M字耐弯造型
可塑百万次

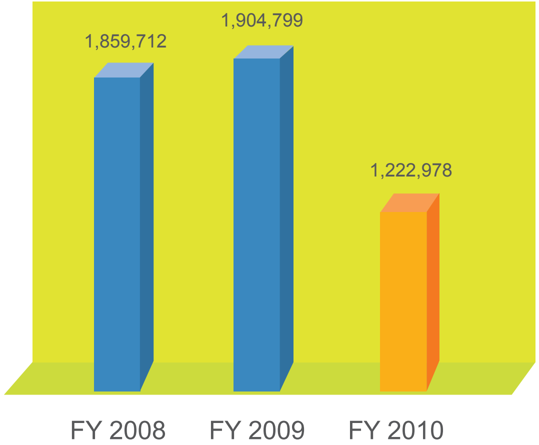
360° 菱形
透气内衬

碳元素
吸臭中底

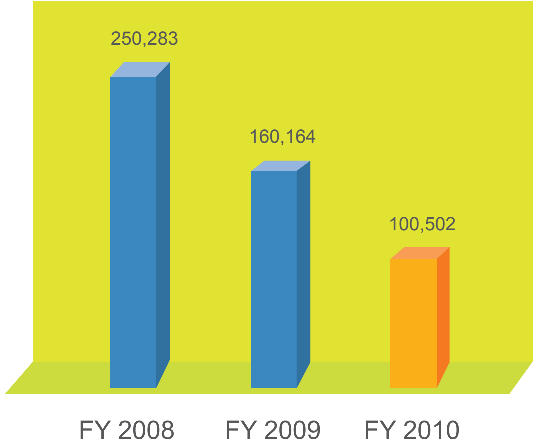
前卫蜂巢
特效包边

FINANCIAL HIGHLIGHTS

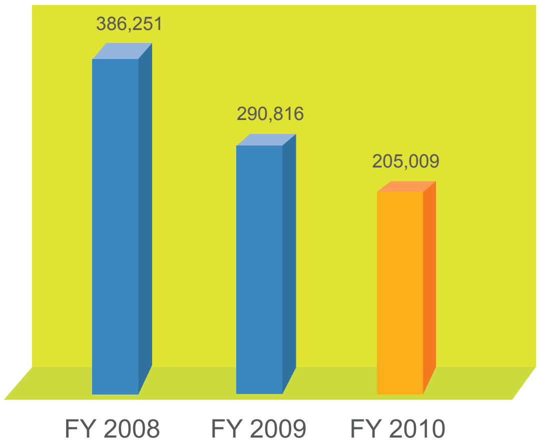
Revenue
(RMB'000)



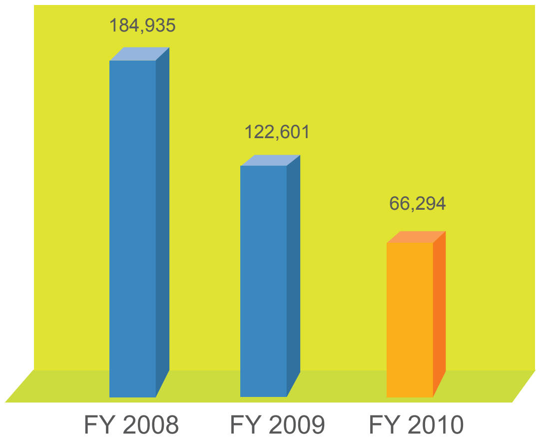
Profit Before Income Tax
(RMB'000)



Gross Profit
(RMB'000)



Profit After Income Tax
(RMB'000)



KEY MANAGEMENT

Mr Alex Chan Chiu Hung (陈钊洪)

Mr Chan is our Chief Financial Officer. He oversees the management of the overall finance and accounting operations of our Group. He is also responsible for implementing internal controls and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of our Group's financial matters. He has been working with several listed and multinational companies for over 14 years. He joined us in March 2007. Mr Chan holds a Bachelor Degree with Honours in Finance from Hong Kong Baptist University. He has been a CPA of Hong Kong Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountant and an Associate in the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators.

Mr Kang Weisheng (康为胜)

Mr Kang is our Procurement Manager. He is responsible for the sourcing of and purchase of raw materials for our manufacturing operations. He is also responsible for ensuring the quality of our raw materials. He joined us in 1998 as a production supervisor and was appointed as the Procurement Manager in 2006. Mr Kang graduated from Yongchun 5th High School (福建省永春县第五中学) in Fujian Province in 1986.

Mr Fu Chengzhong (傅成忠)

Mr Fu is our Production Manager. He is responsible for overseeing our Group's overall production activities. He joined us as an Assistant General Manager at our Group's inception in 1998, and was later appointed Human Resources Manager in 2003. In 2004, he relinquished his position as Human Resources Manager as he became our Production Manager. He holds a Diploma in Administration from Fujian Radio & TV University (福建广播电视大学).

Mr Zhong Xinggui (钟兴贵)

Mr Zhong joined Hengfa (Fujian) Light Industry Development Co., Limited in April 2009 as a Consultant of the Human Resource Department and appointed as our Human Resource Manager in April 2010. He is responsible for planning, directing and coordinating human resource management activities within principal operating subsidiaries of the Group and maintain functions such as employee recruitment, compensation, personnel policies and regulatory compliance. From February 2005 to August 2007, he was a Human Resource Supervisor, Xiamen Huierkang Food Group. From September 2007 to October 2008, he was a Regional Human Resource Manager, Aimark Service Industry (China) Limited Company. From November 2008 to March 2009, he was a Human Resource Manager, Bai Xiang Group.

Mr Xie Liangcheng (谢良成)

Mr Xie joined Hengfa (Fujian) Light Industry Development Co., Limited as Assistant Technical Manager in February 2008 and was subsequently promoted to become Technical and Quality Assurance Manager on 30 December 2008. He is mainly involved in providing technical advice on the production of footwear and ensuring the production quality of the Group's products. From February 1999 to January 2001, he worked in Haowei Footwear Manufacturing Company Limited as a Supervisor for the production of sample. Thereafter, he worked in Hong Kong Kerry Trading Limited Company (香港可利贸易有限公司) as a Quality Control Manager from February 2001 to January 2002. He then joined Mingyi Footwear Limited Company (明益鞋业有限公司) from February 2003 to January 2008 as a Technical Manager.

获得荣誉：

- 高新技术企业
- 泉州市市级企业技术中心

CORPORATE INFORMATION

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

DIRECTORS
Mr Lin Shaoxiong	
Mr Lin Shaoqin	
Ms Lai Chin Yee	(Lead Independent Director)
Mr Tham Hock Chee	(Independent Director)
Mr Sim Hong Boon	(Independent Director)

AUDIT COMMITTEE
Ms Lai Chin Yee	(Chairman)
Mr Sim Hong Boon	
Mr Tham Hock Chee	

REMUNERATION COMMITTEE
Mr Tham Hock Chee	(Chairman)
Ms Lai Chin Yee	
Mr Sim Hong Boon	

NOMINATING COMMITTEE
Mr Sim Hong Boon	(Chairman)
Ms Lai Chin Yee	
Mr Tham Hock Chee	

SECRETARY
Ms Nicole Tan Siew Ping

SHARE REGISTRAR
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

BANKERS
Agricultural Bank of China
Bank of Communications
The Bank of East Asia
Industrial and Commercial Bank of China
China Merchants Bank

AUDITORS
Foo Kon Tan Grant Thornton LLP
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

CORPORATE GOVERNANCE REPORT, FINANCIAL STATEMENTS & OTHER INFORMATION

The Board of Directors (the "Board") of China Sports International Limited (the "Company" or "China Sports") is committed to high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code").

This report outlines China Sports' corporate governance framework with specific reference to the Code.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") to describe its corporate governance practices with specific reference to the principles of the Code in this Annual Report and disclose any deviation from the guidelines of the Code together with an appropriate explanation for such deviation in this Annual Report. The Board has adhered to the principles and guidelines set out in the Code as set out in this report.

(A) BOARD MATTERS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board of Directors comprises:

CG Guideline 4.6

Name of Director	Designation	Date of Appointment	Date of Last Re-election	Date of Resignation
Mr Lin Shaoxiong	Executive Chairman and CEO	9 April 2007	28 April 2009	N.A.
Mr Lin Shaoqin	Executive Director	10 April 2007	27 Appril 2010	N.A.
Ms Lai Chin Yee	Lead Independent Director	4 June 2007	28 April 2009	N.A.
Mr Tham Hock Chee	Independent Director	4 June 2007	27 Appril 2010	N.A.
Mr Sam Kok Yin	Independent Director	4 June 2007	28 April 2008	27 April 2010
Mr Sim Hong Boon	Independent Director	27 April 2010	N/A	N/A

The detailed profiles of the Directors are set out on page 8 of this Annual Report.

The Board's role is to:

- provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives; CG Guideline 1.1
- establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- review Management performance; and
- set the Group's values and standards, and ensure that obligations to the Shareholders and others are understood and met.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructurings, mergers and acquisitions, share issuances, dividend and major corporate policies on key areas of operation, the release of quarterly, half yearly and full year results and interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) (each, an "IPT") of a material nature. CG Guideline 1.5

The Board also ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. CG Guideline 1.6

A formal letter is provided to each Director upon his appointment, setting out the Director's duties and obligations. CG Guideline 1.7

To assist the Board in the discharge of its responsibilities, the Board has established Audit Committee ("AC"), Remuneration Committee ("RC"), and Nominating Committee ("NC"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Committee. CG Guideline 1.3

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. Ad hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone and conference via electronic communications at Board meetings is allowed under the Company's Bye-laws. CG Guideline 1.4

The number of Board and Board Committee meetings held during the financial year and the attendance of Directors during these meetings is set out as follows:

CG Guideline 1.4

Name of Director \ Type of Meetings	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	attended
Mr Lin Shaoxiong	5	5	4	4*	2	2*	1	1*
Mr Lin Shaoqin	5	1	4	–	2	–	1	–
Ms Lai Chin Yee	5	5	4	4	2	2	1	1
Mr Tham Hock Chee	5	5	4	4	2	2	1	1
Mr Sam Kok Yin(1)	5	2	4	1	2	1	1	1
Mr Sim Hong Boon(2)	5	3	4	3	2	–	1	–

* By Invitation

(1) Resigned on 27 April 2010

(2) Appointed as Director on 27 April 2010 and Chairman of the NC, and a Member of the AC and the RC, on 13 May 2010. Mr Sim attended all meetings subsequent to his appointment and attended one meeting at the invitation of the AC prior to his appointment.

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises two Executive Directors and three Independent non-executive Directors.

CG Guidelines 2.1 and 4.3

There is presently a good balance between the executive and non-executive Directors and a strong and independent element on the Board. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The NC's review of the independence of each Director for the financial year ended 2010 is based on the Code's definition of what constitutes an Independent Director. With three of the Directors deemed to be independent, the NC is of the view that the Board is able to exercise objective judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues, and further, that no individual or small group of individuals dominate the Board's decision making process.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed on the strength of his/her calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company. The Board and the NC have strived to ensure that members possess the background, experience, knowledge and skills necessary to promote China Sports' business and governance process, so as to enable the Board to make balanced and well-considered decisions. The Board and the NC are of the view that its Directors as a group possess the necessary competencies necessary to lead and govern the Company effectively. CG Guideline 2.4

Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long-term interests, of the Shareholders, having regard to the interests of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy. The Independent Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. CG Guideline 2.5

Principle 3: There should be a clear division of responsibilities at the top of the Company - the working of the Board and the executive responsibility of the Company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of China Sports' business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of the performance of the executive management on a periodic basis. CG Guidelines 3.1, 3.2 and 3.3

Mr Lin Shaoxiong is our Executive Chairman and Chief Executive Officer ("CEO"). In view of Mr Lin Shaoxiong's concurrent appointment as our Executive Chairman and CEO, we have appointed Ms Lai Chin Yee as our Lead Independent Director, pursuant to the recommendation in Commentary 3.3 of the Code. In accordance with the recommendation in the said Commentary 3.3, the Lead Independent Director will be available to the Shareholders where they have concerns which contact through the normal channels of our Executive Chairman and CEO has failed to resolve or for which such contact is inappropriate.

The Chairman's primary function is to manage the business of the Board and the Board committees, and to promote harmonious relations with the Shareholders. CG Guideline 3.2

The Chairman's role with regard to the Board proceedings is as follows:

- to schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- to prepare meeting agenda;
- to exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;

- to assist in ensuring compliance with the Group's guidelines on corporate governance; and

- to monitor communications and relations between the Company and its Shareholders, between the Board and Management, and between executive and non-executive Directors and independent and non-independent Directors, with a view to encouraging constructive relations and dialogue amongst them.

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Nominating Committee

CG Guideline 4.1

The NC comprises the following non-executive and Independent Directors:

Mr Sim Hong Boon (Chairman)
Mr Tham Hock Chee
Ms Lai Chin Yee

The NC meets at least once annually and had full attendance by its committee members during the financial year ended 31 December 2010. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The NC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. Amongst them, the NC is responsible for making recommendations to the Board on all Board appointments.

CG Guideline 4.2

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

- to make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;

- to assist the Board when the Board examines its size with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The NC may make recommendations to the Board with regards to any adjustments that are deemed necessary;

- to review, assess and recommend nominees or candidates for appointment or election to the Board, having regard to his/her requisite qualifications and competency and whether or not he/she is independent and in the case of a re-nomination, to his/her contribution and performance (e.g. attendance, preparedness, participation and candour);

- to determine, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in Guideline 2.1 of the Code and other salient factors. If the NC determines that a Director, who has one or more of the relationships mentioned therein can be considered independent, the Company should disclose in full the nature of the Director's relationship and bear responsibility for explaining why he/she should be considered independent. Conversely, the NC has the discretion to determine that a Director is not independent even if the said Director does not fall under the circumstances set forth in Guideline 2.1 of the Code;

- to make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of seventy (70) years;

- to recommend Directors who are retiring by rotation to be put forward for re-election;

- to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director, particularly when he/she has multiple board representations;

- to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;

- to assist the Board to implement a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board;

- to decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term Shareholders' value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision. In addition to any relevant performance criteria which the Board may propose, the performance evaluation should also consider the Company's share price performance over a 5 year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers;

  The Chairman of the NC should act on the results of the performance evaluation and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC; and

- to provide a description of the process for the selection and appointment of new Directors to the Board. This should include disclosure on the search and nomination process.

Under the Company's Bye-laws, any Director appointed by the Board shall retire at the next annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Each Director shall retire at least once every three years and is eligible for re-election. The Board has accepted NC's nomination of the retiring Director who has been given his consent for re-election at the Company's forthcoming AGM. The retiring Director is Mr Sim Hong Boon who will retire pursuant to Bye-law 85(6) of the Company's Bye-laws.

CG Guideline 4.5

In its search, nomination and selection for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the CG Guideline 4.5 attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his/her views in this regard.

CG Guideline 5.4

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the circumstances set forth in Guideline 2.1 of the Code and any other salient factors. Following its annual review, the NC has endorsed the independence of the following Directors, Mr Sim Hong Boon, Mr Tham Hock Chee and Ms Lai Chin Yee.

CG Guideline 4.3

The NC is satisfied that sufficient time and attention is being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

CG Guideline 4.4

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. For the year under review, the NC has evaluated and discussed the results of individual Directors' assessment and of the Board's performance and effectiveness as a whole and carried out a review of the independence of Directors.

CG Guidelines 5.1 and 5.2

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board has separate and independent access to senior management and the Company Secretary at all times in carrying out their duties. Requests for information from the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. Directors are given Board papers in advance of meetings for them to be adequately prepared for meetings and senior Management is, where necessary, in attendance at the Board meetings. The Company Secretary or her representatives attend all Board meetings and meetings of the AC, NC and RC. The Company Secretary or her representatives administer, attend and prepare minutes of Board and Board Committees meetings, and assist the Chairman in ensuring that Board procedures are followed in accordance with the Company's Bye-laws so that the Board functions effectively.

CG Guidelines 6.1, 6.2 and 6.3

Each Director has the right to seek independent legal and other professional advice, where necessary, in order to fulfill his duties and responsibilities as Director. Any expense incurred in this aspect shall be borne by the Group. CG Guideline 6.5

The Board receives from Management regular updates and financial information which present a balanced and understandable assessment of the Company's performance, position and prospects. The Chief Financial Officer ("CFO") circulates quarterly financial reports to the AC which includes the income statement, statement of financial positions, statement of comprehensive income and cash flow statement of the Group, transactions between the Group and any interested person (namely, any of the Directors or any of the Controlling Shareholders or any of their Associates) and latest corporate developments. CG Guideline10.2

(B) REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior Management.

Remuneration Committee

The RC comprises the following non-executive and Independent Directors: CG Guideline 7.1

Mr Tham Hock Chee (Chairman)
Mr Sim Hong Boon
Ms Lai Chin Yee

The principal responsibilities of the RC are:

- To review and submit its recommendations for endorsement by the Board, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director, CEO (or executive of equivalent rank) if the CEO is not a Director and senior Management, including but not limited to senior executives, divisional directors or those reporting directly to the Chairman/CEO of the Group or employees related to the Executive Directors and Controlling Shareholders of the Group. The Independent Directors on the RC shall review and approve annually the total remuneration of the Directors, Executive Officers and other employees who are related to the Substantial Shareholders or Directors. CG Guideline 7.2

- To review and submit its recommendations for endorsement by the Board, the Executives' and Employees' Share Option Schemes or any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

- To cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind in the RC's review and recommendations.

The RC meets at least once annually and had full attendance by its committee members during the financial year ended 31 December 2010. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members.

Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package.

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

CG Guideline 8.1

In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

CG Guideline 8.2

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and staff. The remuneration package of the key executives is made up of both fixed and variable components, and the remuneration of key executives and Executive Directors is based on the performance of the Group as a whole and their individual performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All non-executive Directors are paid Directors' fees that are subject to the Shareholders' approval at the AGMs.

CG Guidelines 8.3
Commentary 8.6

The service contracts for Executive Directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for Executive Directors and in the terms of employment of senior management. The RC is responsible for reviewing the compensation commitments, if any, that the Directors' contracts of service entail in the event of early termination.

DISCLOSURE ON REMUNERATION

CG Guidelines 9.1, 9.2 and 9.4

Directors	Salary %	Bonus %	Benefits %	Director Fees %	Total %
Below or equal to $250,000					
Lin Shaoxiong	100	–	–	–	100
Lin Shaoqin	47	39	14	–	100
Lai Chin Yee	–	–	–	100	100
Tham Hock Chee	–	–	–	100	100
Sam Kok Yin	–	–	–	100	100
Sim Hong Boon	–	–	–	100	100
Key Executives	**Salary %**	**Bonus %**	**Benefits %**	**Director Fees %**	**Total %**
Below $250,000					
Alex Chan Chiu Hung	92	8	–	–	100
Kang Weisheng	46	41	13	–	100
Xie Liangchen	47	39	14	–	100
Fu Chengzhong	50	35	15	–	100

Immediate family members of Directors or CEO

CG Guideline 9.3

Save that Lin Shaoxiong and Lin Shaogin are brothers, there are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S$150,000 during during the financial year ended 31 December 2010.

CG Guideline 9.4

On 6 November 2010, the shareholders of the Company approved the adoption of a share option scheme known as the China Sports Employee Share Option Scheme (the “Scheme”), which complied with Chapter 8, Part VIII of the Listing Manual of the SGX-ST. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Information on the Scheme is set out in the Directors’ Report on page 40. The RC is responsible for reviewing, approving and administering the Scheme.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

CG Guideline 10.1

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updating the Shareholders through the quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Audit Committee

CG Guidelines 11.1 and 11.8

The AC comprises the following non-executive and Independent Directors:

Ms Lai Chin Yee (Chairman)
Mr Tham Hock Chee
Mr Sim Hong Boon

The AC held five meetings during the financial year ended 31 December 2010. The AC meets regularly with the Group's external and internal auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. The AC met once with the external auditors without the presence of the Management during the financial year ended 31 December 2010.

CG Guideline 11.5

The Board is of the view that the AC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function.

CG Guideline 11.2

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of the Management, with full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the AC held during the financial year, the AC performed its functions and responsibilities as set out in its terms of reference, which include the following:

CG Guideline 11.3

- to review with the external auditors:

  CG Guidelines 11.4, 11.6, 11.8 and 12.1

  (a) the audit plan, including the nature and scope of the audit before the audit commences;

  (b) their evaluation of the system of internal accounting controls;

(c) their audit report; and

(d) their management letter and Management's response.

- to ensure co-ordination where more than one audit firm is involved;

- to review all formal announcements relating to the Company's financial performance and the quarterly, half-year and annual financial statements to ensure the integrity of the said financial statements and formal announcements; and thereafter to submit them to the Board for approval. The AC will focus, inter alia, on the following:

  (a) significant financial reporting issues and judgements;

  (b) changes in accounting policies and practices;

  (c) major risk areas;

  (d) significant adjustments resulting from the audit;

  (e) the going-concern statement;

  (f) compliance with accounting standards;

  (g) audit qualifications (if any);

  (h) concerns and issues arising from the audits; and

  (i) compliance with stock exchange and statutory/regulatory requirements.

- to discuss problems and concerns, if any, arising from the quarterly, half-year and final audits, in consultation with the external auditors and the internal auditors where necessary;

- to meet with the external auditors and internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The external auditors have the right to appear and be heard at any meeting of the AC and shall appear before the AC when required to do so by the AC;

- to review the assistance given by Management to the external auditors;

- to review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide a substantial volume of non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

- to review the internal audit programme and ensure co-ordination between the internal and external auditors and the Management;

- to review the effectiveness of the internal audit function, the scope and results of the internal audit procedures and to ensure that the internal audit function has adequate resources and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;

- to recommend to the Board if the internal audit function be undertaken in-house or out-sourced to a reputable public accounting/auditing firm. If the public accountant is also the external auditor of the Company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the Company;

- to review the adequacy of the Company's internal controls as set out in Guideline 12.1 of the Code. Guideline 12.1 states that the AC should review the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). The AC should ensure a review of the effectiveness of the Company's internal controls is conducted at least annually;

- to review the audited (consolidated) financial statements of the Company, and thereafter to submit to the Board;

- to review all internal audit reports. The internal auditor's primary line of reporting should be to the Chairman of the AC;

- to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have an impact on the Company's and Group's operating results or financial position. To also discuss the above with the external auditors and to review Management's response;

- to investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and with reasonable resources to enable it to discharge its functions properly;

- to review arrangements by which employees of the Company, its subsidiaries, and associates may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;

- to report to the Board its findings from time to time on matters arising and requiring the attention of the AC. In addition, upon the request of the auditor, the Chairman of the AC shall convene a meeting of the AC to consider any matters the auditor believes should be brought to the attention of the Directors or Shareholders;

- to recommend to the Board the appointment, re-appointment, removal and matters arising from the resignation of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

- to review all other existing and future IPTs not having been approved by the Shareholders to ensure that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and minority Shareholders;

- to review all IPTs to ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST;

- where appropriate, to update the SGX-ST on any findings of the independent accounting firm commissioned to review the adequacy of the Group's existing system of internal controls relating to IPT review procedures, and any follow up action taken by the AC, if any;

- to review the payment terms for IPTs (not previously approved by the Shareholders) on a quarterly basis;

- to review IPTs, including but not restricted to, comment in annual report as to whether the IPTs are conducted in accordance with the review procedures;

- to review any potential conflict of interest;

- to review the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of the Group;

- to review the reporting structure relating to the Group's accounting function and conduct semi-annual meetings with the CFO to ensure that the CFO is able to discharge his responsibilities effectively;

- to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- to undertake generally such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the guidance.

The AC shall also review, implement and administer the Group's Whistle-Blowing Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible incorrect financial reporting or other matters that could have a large impact on the Company and is authorised to do such acts as are necessary to ensure, inter alia, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to prevent recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriate, balanced and fair.

Management has put in place, and the AC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

CG Guideline 11.7

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of Messrs Foo Kon Tan Grant Thornton LLP for re-appointment as external auditors of the Company at the forthcoming AGM. The AC has conducted an annual review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

CG Guidelines 11.6 and 11.4(a)

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

CG Guideline 12.1

The Company has outsourced the internal audit functions to Cachet Certified Public Accountants Limited. It has performed and implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal; transactions are properly authorised and proper financial records are being maintained.

CG Guideline 13.2

The internal auditors have a direct and primary reporting line to the AC and assist the Board in monitoring and managing risks and internal controls of the Group. The AC approves the internal audit plan and ensures the adequacy of internal audit resources prior to the commencement of the internal audit. CG Guideline 13.1

The AC is satisfied that the internal audit function has adequate resources and has appropriate standing within the Company. CG Guideline 13.3

The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditors and external auditors and are assured that adequate internal controls, including financial, operational and compliance control and risk management, are in place. CG Guidelines 12.1 and 12.2

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it can discharge its duties effectively. It also believes in timely, fair and adequate disclosure of relevant information to the Shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. All information of the Company is published through the SGXNET and where appropriate, through media releases. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. Information is also available on the Company's website http://www.chinasportsintl.com/. CG Guidelines 14.1 and 14.2

All Shareholders will receive the annual report and notice of AGM. At general meetings of shareholders, the Shareholders will be given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC and NC will normally be present at the AGM to answer any questions relating to the work of these Board Committees. The external auditors will be also present at the AGM to assist the Directors in answering questions from the Shareholders. CG Guidelines 15.1 and 15.3

The Group believes in encouraging shareholders' participation at general meetings. A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or two proxies (who can either be named individuals nominated by the Shareholder to attend the meeting or the Chairman of the meeting as the Shareholder may select). CG Guideline 15.1

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. CG Guideline 15.2

DEALINGS IN SECURITIES

The Company acknowledges the importance to adopt its own internal Code of Best Practices on Securities Transactions to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1207(18) of the Listing Manual of the SGX-ST.

SGX-ST Rule 1207(18)

Directors and all officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

MATERIAL CONTRACTS

Apart from those related party transactions disclosed in the Note 19 and Note 28 of the audited financial statements, there were no material contracts of the Company or its subsidiary involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended 31 December 2010.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for the financial year ended 31 December 2010:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	RMB	RMB
Lin Shaoxiong (Executive Director and CEO) (1) (2) (3) (4)	–	–
Li Tung Kwo (Substantial Shareholder) (1)	–	–
Lin Yongjian (2)	–	–

(1) Our Executive Chairman and CEO, Mr Lin Shaoxiong, and Mr Li Tung Kwo, substantial shareholders of our Company, had jointly pledged their Shares to secure a term loan for our Company. We have not paid either of them any form of consideration for the provision of the share pledge.

(2) Mr Lin Shaoxiong and Mr Lin Yongjian (Mr Lin Shaoxiong's and Mr Lin Shaoqin's father, and a director of Hengfa) have jointly provided a personal guarantee to secure our banking facility.

We have not paid either of them any form of consideration for the provision of the personal guarantee.

(3) Mr Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. We have not paid him any form of consideration for the provision of the personal guarantee.

(4) Mr Lin Shaoxiong has also provided personal loan for the working capital of Theme Way Limited, our wholly-owned subsidiary in Hong Kong, and for the repayment of bank loans by our Company. We have not paid him any form of consideration or interest on the loans. This loan had been fully repaid in January 2010.

The directors submit this report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for financial year ended 31 December 2010.

Names of directors

The directors in office at the date of this report are:

Lin Shaoxiong
Lin Shaoqin
Lai Chin Yee (Lead Independent Director)
Sim Hong Boon (Independent Director) (Appointed on 27 April 2010)
Tham Hock Chee (Independent Director)

At the forthcoming Annual General Meeting, Sim Hong Boon will be retiring pursuant to Bye-law 85(6) of the Company's Bye-law and, being eligible, offer himself for re-election.

Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the Company nor its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company, none of the directors who held office at the end of the financial year was interested in shares or debentures of the Company and its related corporations except as follows:

	Number of ordinary shares of HK$0.04 each			
	Holding registered in the name of director or nominee		Holding in which director is deemed to have an interest	
The Company - China Sports International Limited	As at 1.1.2010	**As at 31.12.2010 and 21.1.2011**	As at 1.1.2010	**As at 31.12.2010 and 21.1.2011**
Lin Shaoxiong	282,500,000	**282,500,000**	–	**–**
Tham Hock Chee	150,000	**150,000**	–	**–**

Share options scheme

At an Special General Meeting of the Company held on 6 November 2010, shareholders approved the China Sports Employee Share Option Scheme (the "Scheme") under which options ("Options") may be granted to selected Directors and employees of the Company, its subsidiaries and associate companies as may exist from time to time including executive and non-executive directors to subscribe for or to be transferred ordinary shares in the capital of the Company, particulars of which are set out in the circular to Shareholders of the Company dated 21 October 2010, and that the Directors are authorised:

(a) to implement and administer the Scheme;

(b) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the rules of the Scheme, and to do all such acts to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme;

(c) to offer and grant Options in accordance with the rules of the Scheme, and to deliver existing Shares (excluding treasury shares) and allot and issue from time to time such number of new shares as may be required to be transferred or allotted and issued pursuant to the exercise of the Options under the Scheme; and

(d) to do all such acts and things (including executing all such documents as may be required) as they may consider necessary or desirable to give effect to the Scheme.

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiary.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial year.

Audit Committee

The Audit Committee comprises the following members:

Lai Chin Yee (Chairman)
Sim Hong Boon
Tham Hock Chee

The Audit Committee performs the functions set out in the SGX Listing Manual and the Code of Corporate Governance. In performing its functions, the Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examination and their evaluation of the company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 as well as the auditor's report thereon; and

(iii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Foo Kon Tan Grant Thornton LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

LIN SHAOXIONG

LIN SHAOQIN

Dated: 5 April 2011

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2010

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the result of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

LIN SHAOXIONG

LIN SHAOQIN

Dated: 5 April 2011

We have audited the accompanying financial statements of China Sports International Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and of the Group as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Sports International Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants

Leung Tak Kuen
Partner in charge of the audit
Date of appointment: 1 January 2010

Singapore, 5 April 2011

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

		The Company		The Group	
		31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Intangible assets	5	**–**	–	**17,416**	2,791
Property, plant and equipment	6	**70**	25	**65,214**	79,268
Advances to contractors	7	**–**	–	**30,000**	–
Subsidiaries	8	**510,567**	510,567	**–**	–
Deferred tax asset	9	**–**	–	**5,000**	5,000
		510,637	510,592	**117,630**	87,059
Current Assets					
Inventories, at cost	10	**–**	–	**28,721**	25,472
Trade and other receivables	11	**17**	13	**302,068**	185,736
Amount due from a subsidiary	12	**62,233**	18,613	**–**	–
Pledged fixed deposits	13	**–**	–	**23,975**	4,692
Cash and cash equivalents	14	**70,983**	9,734	**924,004**	897,187
		133,233	28,360	**1,278,768**	1,113,087
Total assets		**643,870**	538,952	**1,396,398**	1,200,146

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

	Note	The Company		The Group	
		31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
		RMB'000	RMB'000	**RMB'000**	RMB'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**36,570**	32,352	**36,570**	32,352
Reserves	16	**572,584**	439,752	**1,080,745**	914,126
Total equity		**609,154**	472,104	**1,117,315**	946,478
Non-Current Liability					
Deferred tax liability	17	**–**	–	**7,377**	–
Current Liabilities					
Trade and bills payables	18	**–**	–	**163,977**	146,371
Accrued liabilities and other payables	19	**12,502**	44,526	**36,374**	76,034
Amount due to a subsidiary	12	**22,214**	22,322	**–**	–
Provisions	20	**–**	–	**31,340**	20,000
Interest-bearing bank borrowings	21	**–**	–	**35,000**	10,000
Income tax payable		**–**	–	**5,015**	1,263
		34,716	66,848	**271,706**	253,668
Total equity and liabilities		**643,870**	538,952	**1,396,398**	1,200,146

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2010

	Note	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Revenue	3	**1,222,978**	1,904,799
Cost of sales		**(1,027,508)**	(1,613,983)
Gross profit		**195,470**	290,816
Other income	3	**3,546**	2,879
Selling and distribution costs	4	**(77,399)**	(111,272)
Administrative expenses		**(19,688)**	(20,889)
Finance costs	22	**(1,427)**	(1,372)
Profit before taxation	23	**100,502**	160,162
Taxation	24	**(34,208)**	(37,564)
Total profit for the year		**66,294**	122,598
Other comprehensive income after tax	25		
Currency translation differences		**3,328**	1,610
Other comprehensive income for the year, net of tax		**3,328**	1,610
Total comprehensive income for the year		**69,622**	124,208
Earnings per share (RMB cents)			
- Basic and diluted	26	**6.95**	16.94

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED OF CHANGES IN EQUITY

For the financial year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000	Merger reserve (Note 16 b) RMB'000	Paid–in capital from exchange differences (Note 16 c) RMB'000	Currency translation reserve (Note 16 d) RMB'000	Statutory reserve (Note 16 a) RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2009	26,419	390,641	801	330	(2,707)	55,437	291,446	762,367
Total comprehensive income for the year	–	–	–	–	1,610	–	122,598	124,208
Issuance of share capital	5,933	75,096	–	–	–	–	–	81,029
Cost of share capital issued	–	(2,599)	–	–	–	–	–	(2,599)
Payment of dividends (Note 27)	–	–	–	–	–	–	(18,527)	(18,527)
Transfer to statutory reserve	–	–	–	–	–	14,638	(14,638)	–
Balance at 31 December 2009	32,352	463,138	801	330	(1,097)	70,075	380,879	946,478
Total comprehensive income for the year	–	–	–	–	3,328	–	66,294	69,622
Issuance of share capital	4,218	101,201	–	–	–	–	–	105,419
Cost of share capital issued	–	(4,204)	–	–	–	–	–	(4,204)
Transfer to statutory reserve	–	–	–	–	–	8,196	(8,196)	–
Balance at 31 December 2010	**36,570**	**560,135**	**801**	**330**	**2,231**	**78,271**	**438,977**	**1,117,315**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2010

	31 December 2010 RMB'000	31 December 2009 RMB'000
Cash Flows from Operating Activities		
Profit before taxation	**100,502**	160,162
Adjustments for:		
Depreciation of property, plant and equipment	**14,240**	41,454
Amortisation of intangible assets	**375**	119
Interest expense	**1,427**	1,372
Interest income	**(3,246)**	(2,869)
Operating profit before working capital changes	**113,298**	200,238
Change in operating assets and liabilities		
- inventories	**(3,249)**	684
- trade receivables	**(113,498)**	117,480
- other receivables	**(2,836)**	(12,531)
- trade payables	**(25,791)**	40,540
- other payables	**4,148**	17,658
Net cash (used in)/generated from operations	**(27,928)**	364,069
Interest received	**3,246**	2,869
Interest paid	**(1,427)**	(1,372)
Income tax paid	**(23,079)**	(49,671)
Net cash (used in)/generated from operating activities	**(49,188)**	315,895

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2010

	31 December 2010 RMB'000	31 December 2009 RMB'000
Cash Flows from Investing Activities		
Acquisition of intangible assets	**(15,000)**	(46)
Advance to contractors	**(30,000)**	–
Acquisition of property, plant and equipment	**(186)**	(14,495)
Net cash used in investing activities	**(45,186)**	(14,541)
Cash Flows from Financing Activities		
Increase in fixed deposit pledged	**(19,283)**	(1,692)
(Decrease) / increase in amount owing to director	**(32,468)**	23,763
Increase / (decrease) in bills payable to bank	**43,397**	(1,447)
Proceeds from short-term loan	**35,000**	10,000
Repayment of short-term loan	**(10,000)**	(40,901)
Proceeds from issue of shares	**105,419**	81,029
Issue of share expense	**(4,204)**	(2,599)
Payment of dividend	**–**	(18,527)
Net cash generated from financing activities	**117,861**	49,626
Net increase in cash and cash equivalents	**23,487**	350,980
Cash and cash equivalents at beginning of year	**897,187**	544,597
Effect of exchange rate fluctuation	**3,330**	1,610
Cash and cash equivalents at end of year (Note 14)	**924,004**	897,187

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by directors.

The Company is incorporated in Bermuda under the name of China Sports International Limited on 27 March 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981. The Company was admitted to the Official List of the Singapore Exchange Mainboard (SGX-ST) on 18 July 2007 pursuant to the Initial Public Offering ("IPO").

The Company is domiciled in Bermuda. The registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are stated in Note 8.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi which is the Company's functional currency. All financial information are presented in Renminbi (to the nearest thousand), unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

2(a) Basis of preparation (Cont'd)

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 2 to 20 years. The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2010 are RMB 70,000 and RMB 65,214,000 (2009 - RMB 25,000 and RMB 79,268,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Impairment in investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

2(a) Basis of preparation (Cont'd)

Critical assumption used and accounting estimates in applying accounting policies (Cont'd)

Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

According to the Corporate Income Tax Law and its implementation rules, withholding tax is imposed on dividends declared in respect of profit earning by PRC subsidiaries from 1 January 2008 onward. For the Group, the applicable rate for the withholding rate is 10%.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(b) Interpretations and amendments to published standards effective in 2010

On 1 January 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. This includes the following FRS and INT FRS which are relevant to the Group:

Reference	**Description**
FRS 27	Consolidated and separate financial statements
FRS 103	Business combinations
Improvement to FRSs 2009	

The Group has adopted all the new and amended FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The adoption of these new/revised FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

2(b) Interpretations and amendments to published standards effective in 2010 (Cont'd)

FRS 27 (revised) Consolidated and Separate Financial Statements

The revised FRS 27 requires the effects of all transactions with non-controlling interests to be accounted for as equity transactions if there is no change in control. Such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss.

When control over a subsidiary is lost, any interest retained is re-measured to fair value and the resulting gain or loss is recognised in profit or loss.

Losses incurred by a subsidiary are allocated to the non-controlling interests even if these result in the non-controlling interests have deficit balances.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interest and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

FRS 103 (revised) Business Combinations

The revised standard introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. It retains the major features of purchase method of accounting, now referred to as the acquisition method. The most significant changes in FRS103 (revised) that had an impact on the Group's acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the profit and loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.

- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless an exception and specific measurements rules are provided in the standard.

- Any contingent consideration measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

- Any indemnification asset promised by the seller in an acquisition is recognised at the date of acquisition. Previously, this possible compensation would not have been recognised as an asset and would have been adjusted against goodwill upon receipt from the seller.

FRS 103 (revised) has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

2(b) Interpretations and amendments to published standards effective in 2010 (Cont'd)

Improvements to FRSs Issued in 2009

The improvements to FRSs issued in 2009 comprise of amendments to the FRS and INT FRS that are effective for annual periods beginning on or after 1 January 2010.

Issued in June 2009

Amendment FRS 7 Cash Flow Statements

Under the amendment, only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Previously, such expenditure could be classified as investing activities in the statement of cash flows. This change has been applied retrospectively. It had no material effect on the amounts presented in the statement of cash flows for the current or prior year.

Amendment to FRS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items

The amendments to FRS 39 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in 2 particular situations: (i) the designation of a one sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

Amendments to FRS 102 Share-based Payment-Vesting Conditions and Cancellations

The amendments to FRS 102 clarify that vesting conditions consist of service conditions and performance conditions. Other conditions are considered non-vesting conditions, which are taken into account in the estimate of the fair value of the equity instruments.

On adoption of the amendments to FRS 102, the requirement to make monthly contributions is treated as a non-vesting condition that reduces the grant date fair value of the equity award. The failure by a participating employee to make monthly contributions is accounted for as a cancellation. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2(c) FRS not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
FRS 24 (revised)	Related Party Disclosure	01.01.2011
Amendments to FRS 32	Classification of Rights Issues	01.02.2010
Amendments to FRS 101	Limited Exemption from Comparative FRS 107 Disclosure for First-time Adopters	01.07.2010
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement	01.01.2011
INT FRS 115	Agreements for Construction of Real Estate	01.01.2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	01.07.2010
Improvements to FRSs 2010		01.07.2010/ 01.01.2011

The directors do not anticipate that the adoption of these FRS and INT FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for amendments to FRS 24 - Related Party Disclosures.

FRS 24 (Revised) Related Party Disclosures

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company when implemented in 2011.

Amendment to FRS 32 Classification of Rights Issues

Amendment to FRS 32 will become effective for the Group's financial statement for the year ending 31 December 2011. It requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its exiting owners of the same class of its own non-derivative equity instruments.

2(c) FRS not yet effective (Cont'd)

Amendment to INT FRS 114 Prepayments of A Minimum Funding Requirement

Amendment to INT FRS 114 will become effective for the Group's financial statements for the year ending 31 December 2011. This interpretation removes unintended consequences arising from the treatment of prepayments in some circumstances when there is a minimum funding requirement on a defined benefit asset.

INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments

INT FRS 119 will become effective for the Group's financial statements for the year ending 31 December 2011. The interpretation provides guidance on accounting for debt for equity swaps. The equity instruments will be measured initially at the fair value, which reflects the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement of the equity instruments would be recognised as a gain or loss in the profit or loss.

Improvements to FRSs 2010

Improvements to FRSs 2010 will become effective for the Group's financial statements for the year ending 31 December 2011. These improvements contain amendments to various accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 8.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combinations are accounted for using the acquisition method. The consideration transferred for an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Any excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of previous equity interest in the acquiree over the fair value of the net identifiable assets acquired represents goodwill. In instances where the latter amount exceeds the former, the excess is recognised as a gain from bargain purchase in the profit or loss on the date of acquisition.

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having deficit balances.

Changes in the Company owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives as follows:

Patent and licenses	10 years
Computer software	5 years
Land use rights	50 years

After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets after deducting the residual values over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	3 to 20 years
Motor vehicles	5 years
Outlet fixtures	2 years

No depreciation is provided on construction in progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisition and disposal during the year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

2(d) Summary of significant accounting policies (Cont'd)

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and conditions are accounted as follows:

(a) Raw materials at purchase cost on a weighted average basis; and

(b) Finished goods and work in progress at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

In the case of manufactured inventory, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits and highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management and fixed deposit pledged to the bank for banking facilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities

The Group's financial liabilities include borrowings, trade and bill payables, and accrued liabilities and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade payables, other payables and accruals are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost, using the effective interest rate method.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

2(d) Summary of significant accounting policies (Cont'd)

Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The People's Republic of China ("PRC") corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2(d) Summary of significant accounting policies (Cont'd)

Value added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the statement of financial position. The Group's export sales are not subject to VAT.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

Borrowing cost

Borrowing costs are recognised in profit or loss using the effective interest rate method except for those costs that are directly attributable to the construction of qualifying assets. This includes those costs on borrowings acquired specifically for the construction of qualifying assets, as well as those in relations to general borrowings used to finance the construction of qualifying assets.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the expenditures on that qualifying assets that are financed by general borrowings.

Employee benefits

Retirement benefits scheme

Pursuant to the relevant regulations of The People's Republic of China government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in The PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors (and certain general managers) are considered key management personnel.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Company's and Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of translation.

2(d) Summary of significant accounting policies (Cont'd)

Currency translation (Cont'd)

Group entities

The results and financial position of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the translation dates, in which case income and expenses are translated using the exchange rates at the dates of the transaction) and;

(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Operating leases

Leases of office and factory premises where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the profit or loss when incurred.

Operating segments

For management purposes, operating segments are organised based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

3 Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Revenue		
Sales of goods	**1,222,978**	1,904,799
Other income		
Interest income	**3,246**	2,869
Sundry income	**–**	10
Exchange gain	**300**	–
	3,546	2,879

4 Selling and distribution expenses

Included in the selling and distribution expenses is advertising and promotion expenses of RMB 44,021,000 (2009 – RMB24,859,000) and depreciation of RMB 6,563,000 (2009 - RMB 34,576,000).

5 Intangible assets

The Group	Land use rights RMB'000	Patent RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 January 2009	3,173	77	173	3,423
Additions	–	–	46	46
At 31 December 2009	3,173	77	219	3,469
Additions	15,000	–	–	15,000
At 31 December 2010	**18,173**	**77**	**219**	**18,469**

5 Intangible assets (Cont'd)

The Group	Land use rights RMB'000	Patent RMB'000	Software RMB'000	Total RMB'000
Accumulated amortisation				
At 1 January 2009	545	3	11	559
Amortisation for the year (Note 23)	63	1	55	119
At 31 December 2009	608	4	66	678
Amortisation for the year (Note 23)	288	43	44	375
At 31 December 2010	**896**	**47**	**110**	**1,053**
Net book value				
At 31 December 2010	**17,277**	**30**	**109**	**17,416**
At 31 December 2009	2,565	73	153	2,791

Land use rights held by the Group with net book value of RMB 643,000 (2009 - RMB2,565,000) as at 31 December 2010 were pledged to a bank to secure a bank borrowing granted to the Group (Note 21).

6 Property, plant and equipment

The Company	Furniture, fixtures and office equipment RMB'000
Cost	
At 1 January 2009	20
Additions	9
At 31 December 2009	29
Additions	70
At 31 December 2010	**99**

6 Property, plant and equipment (Cont'd)

The Company	Furniture, fixtures and office equipment RMB'000
Accumulated depreciation	
At 1 January2009	2
Depreciation	2
At 31 December 2009	4
Depreciation	25
At 31 December 2010	**29**
Net book value	
At 31 December 2010	**70**
At 31 December 2009	25

The Group	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Outlet fixtures RMB'000	Total RMB'000
Cost						
At 1 January 2009	48,042	39,189	4,861	1,808	56,152	150,052
Additions	–	1,486	9	–	13,000	14,495
At 31 December 2009	48,042	40,676	4,870	1,808	69,152	164,547
Additions	–	–	77	–	109	186
Disposals/Written off	–	–	–	–	–	–
At 31 December 2010	**48,042**	**40,676**	**4,947**	**1,808**	**69,261**	**164,733**

6 Property, plant and equipment (Cont'd)

The Group	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Outlet fixtures RMB'000	Total RMB'000
Accumulated depreciation						
At 1 January 2009	9,128	4,608	1,579	434	28,076	43,825
Depreciation (Note 23)	2,162	3,788	603	325	34,576	41,454
At 31 December 2009	11,290	8,396	2,182	759	62,652	85,279
Depreciation (Note 23)	2,402	4,220	693	362	6,563	14,240
At 31 December 2010	**13,692**	**12,616**	**2,875**	**1,121**	**69,215**	**99,519**
Net book value						
At 31 December 2010	**34,350**	**28,060**	**2,072**	**687**	**46**	**65,214**
At 31 December 2009	36,752	32,279	2,688	1,049	6,500	79,268

A building held by the Group at net book value of RMB 3,168,000 (2009 - Nil) as at 31 December 2010 were pledged to a bank to secure a bank borrowing granted to the Group (Note 21).

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Depreciation expenses		
Depreciation expense charged to:		
Cost of sales	**6,742**	6,058
Administrative expenses	**935**	820
Selling and distribution expenses	**6,563**	34,576
	14,240	41,454

7 Advances to contractors

The Group

Advances to contractors relate to construction of outlet fixtures for retail shops of RMB 10,000,000 (2009 – Nil) and construction of a new multi-complex of RMB 20,000,000 (2009 – Nil). Both contracts are entered with third parties.

Both of the advances relate to capital expenditures and would be reclassified to property, plant and equipment upon commencement of the work.

8 Subsidiaries

The Company	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Unquoted equity investment, at cost	**18,072**	18,072
Amounts due from subsidiary on long-term loan account	**492,495**	492,495
	510,567	510,567

The amounts owing by subsidiary on long-term loan account are an extension of the Company's net investment in the subsidiary. These are unsecured, interest-free and are not expected to be repaid within one year. As they represent net investments, with indeterminable repayments, fair valuation is not appropriate.

8 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Effective percentage of equity held		Principal activities
		2010	2009	
		%	%	
Held by the Company:				
Theme Way Limited [(1)]	Hong Kong	100	100	Investment holding
Held by Theme Way Limited:				
Hengfa (Fujian) Light Industry Development Co., Ltd [(2)] 恒发(福建)轻工业发展有限公司 ("Hengfa Light Industry")	The People's Republic of China	100	100	Production of apparels, shoes, footwear-making materials, bags, accessories, badminton products, fabric materials, and freight and technical import and export
YELI (Hong Kong) Company Limited [(1)] ("YELI Hong Kong")	Hong Kong	100	100	Investment holding
YELI Sports (China) Co., Ltd [(2)] 野力体育(中国)有限公司 ("YELI China")	The People's Republic of China	100	100	Design, manufacture and sales of sports fashion footwear and apparel

(1) Audited by Lau & Au Yeung C.P.A. Limited.

(2) Audited by 泉州大同会计师事务所有限公司for statutory reporting and Foo Kon Tan Grant Thornton LLP for the purpose of FRS reporting.

9 Deferred tax asset

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax asset				
Balance at beginning	**–**	–	**5,000**	–
Transfer from income statement (Note 24)	**–**	–	**–**	5,000
	–	–	**5,000**	5,000

The balance comprises tax on the temporary differences arising from provisions. The realisation of the deferred tax asset is subject to the approval of the PRC tax authority which the Group had to make application to the tax authority.

10 Inventories, at cost

The Group	**31 December 2010** **RMB'000**	31 December 2009 RMB'000
Raw materials	**8,696**	9,476
Work-in-progress	**2,698**	1,611
Finished goods	**17,327**	14,385
	28,721	25,472
Cost of inventories included in cost of sales	**847,454**	949,948

Included in inventories is an amount of RMB 3,490,086 (2009 – Nil) relating to Federation Internationale de Football Association ("FIFA"). The group has signed a memorandum of understanding with a potential buyer to take over the inventories above cost. In view of this, the director of the Group is confident that no provision would be required on these inventories.

11 Trade and other receivables

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables – third parties	**–**	–	**277,234**	163,736
Other receivables	**17**	13	**9,668**	13
Deposits	**–**	–	**9,426**	21,987
Tax recoverable	**–**	–	**5,740**	–
	17	13	**302,068**	185,736

Trade receivables generally have credit terms of 90 days (2009 - 90 days).

Other receivables mainly relate to advances to suppliers for purchase of raw material amounting to approximately RMB 9,034,000 (2009 – Nil).

Deposits represent payment of deposits for the acquisition of property, plant and equipment and purchase of raw material. These deposits were fully recovered subsequent to year end.

There is no trade receivable which are past due and not impaired. All trade receivables are located in the PRC.

Tax recoverable relates to over payment of income tax for the year, and the amount would be available to offset future PRC tax liabilities of the Group.

12 Amount due from / (to) a subsidiary

Non-trade amount due from/(to) a subsidiary is unsecured, interest-free and repayable on demand. The amounts are denominated in RMB.

13 Pledged fixed deposits

The fixed deposits are pledged to a bank to secure a banking facility granted to a subsidiary (Note 18). The fixed deposits have an effective interest rate of 1.01% per annum (2009 - 1.386%). Interest rate is re-priced at an interval of six months (2009 - six months).

14 Cash and cash equivalents

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposit with maturity less than 3 months	**19,154**	3,529	**19,154**	3,529
Cash at banks	**51,829**	6,205	**904,800**	893,566
Cash on hand	**–**	–	**50**	92
	70,983	9,734	**924,004**	897,187

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**–**	–	**81**	85
Renminbi	**–**	–	**851,974**	886,400
Singapore dollar	**70,983**	9,734	**71,925**	10,677
United States dollar	**–**	–	**24**	25
	70,983	9,734	**924,004**	897,187

The effective interest rate for bank deposits is 0.38% per annum (2009 - 0.96% per annum). Fixed deposits interest rate is re-priced at interval of three months (2009 - three months).

15 Share capital

The Company and The Group	No. of ordinary shares 31 December 2010 RMB'000	No. of ordinary shares 31 December 2009 RMB'000	Amount 31 December 2010 RMB'000	Amount 31 December 2009 RMB'000
Issued and fully paid:				
Balance at beginning of year	**842,125**	673,700	**32,352**	26,419
Issuance of shares arising from right shares	**–**	168,425	**–**	5,933
Placement of shares	**120,000**	–	**4,218**	–
Total	**962,125**	842,125	**36,570**	32,352

The ordinary shares have par value of HK$ 0.04 each.

During the financial year, the Company had completed a placement shares exercise and placed out an aggregate of 120,000,000 shares at the placement price of S$0.18 per share. The net proceed raised from the placement is approximately S$20,500,000 (RMB 101,215,000) after deducting all related costs, expenses and commissions.

According to Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of public. In the opinion of the directors, the Company has complied with the Rule 723.

Apart from the above, the Group is not subject to any other externally imposed capital requirements.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16 Reserves

		The Company		The Group	
		31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Share premium		**560,135**	463,138	**560,135**	463,138
Statutory reserve	(a)	**–**	–	**78,271**	70,075
Merger reserve	(b)	**–**	–	**801**	801
Paid-in capital from exchange differences	(c)	**330**	330	**330**	330
Currency translation reserve	(d)	**–**	–	**2,231**	(1,097)
Retained profits/(accumulated losses)		**12,119**	(23,716)	**438,977**	380,879
		572,584	439,752	**1,080,745**	914,126
Represented by:					
Distributable		**12,119**	(23,716)	**438,977**	380,879
Non-distributable		**560,465**	463,468	**641,768**	533,247
		572,584	439,752	**1,080,745**	914,126

(a) Statutory reserve

In accordance with the accounting regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital. The reserve is not available for distribution to the shareholders of the entity.

(b) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange thereof.

(c) Paid-in capital from exchange differences

Paid-in capital from exchange differences represents the exchange differences between Hong Kong Dollar equivalent to Renminbi as stated in the prospectus of the Group and the prevailing exchange rates at the dates when the capital was paid in.

16 Reserves (Cont'd)

(d) Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of foreign subsidiaries' assets and liabilities whose functional currencies are different from the presentation currency of the Group.

17 Deferred tax liability

According to the Corporate Income Tax Law and its implementation rules, withholding tax is imposed on dividends declared in respect of profit earning by PRC subsidiaries from 1 January 2008 onward. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. As at 31 December 2010, deferred tax liability balance based on the undistributed profit amounting to approximately RMB 7,377,000 (2009 - Nil) which the directors consider the profit as available for dividends in the future.

18 Trade and bills payables

The Group	**31 December 2010** **RMB'000**	31 December 2009 RMB'000
Trade payables	**116,027**	141,818
Bills payables	**47,950**	4,553
	163,977	146,371

Trade payables generally have credit terms of 90 days (2009 - 90 days). The trade payables are denominated in RMB.

Bills payables are secured by fixed deposits pledged to a bank (Note 13).

19 Accrued liabilities and other payables

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**1,794**	1,736	**8,188**	4,568
Advances from a third party	**–**	–	**6,243**	17,610
Amount owing to director	**9,074**	41,542	**9,074**	41,542
Other payables	**1,634**	1,248	**8,962**	8,469
VAT payable	**–**	–	**3,907**	3,845
	12,502	44,526	**36,374**	76,034

The advances from a third party and amount owing to directors are unsecured, interest free and repayable on demand.

Accrued liabilities and other payables are denominated in the following currencies:

	The Company		The Group	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**74**	52	**9,874**	22,215
Renminbi	**9,951**	1,248	**24,023**	10,593
Singapore dollar	**2,477**	1,684	**2,477**	1,684
United States dollar	**–**	41,542	**–**	41,542
	12,502	44,526	**36,374**	76,034

20 Provisions

The Group	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Balance at beginning	**20,000**	–
Provision during the year	**11,340**	20,000
Balance at end	**31,340**	20,000

This represents rebates to be given to distributors who meet certain sales targets. The Group is in the process of negotiating the terms of payments with the distributors and expects to settle these rebates in the year ending 31 December 2011.

21 Interest-bearing bank borrowings

	The Company		**The Group**	
	31 December 2010 RMB'000	31 December 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Bank borrowings (secured)	**–**	–	**35,000**	10,000

Bank borrowings are denominated in RMB, repayable within one year, and are secured by:

(i) bank borrowings of RMB 20m are secured by the assets of the Group's subsidiaries and guaranteed by a director; and

(ii) bank borrowing of RMB 15m is secured by the mortgage of a land use rights (Note 5) and a factory building (Note 6) of a subsidiary.

The outstanding bank borrowings of the Group exposed to interest rate risk are as follows:

	The Company		**The Group**	
	31 December 2010 RMB'000	31 December 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000
At effective interest rate of 5.23% per annum (2009 - 6.4% per annum)	**–**	–	**35,000**	10,000

Interest-bearing bank borrowings have a fixed interest rate of the contract period.

22 Finance costs

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Interest charges on bank borrowings	**1,427**	1,372

23 Profit before taxation

The Group	Note	31 December 2010 RMB'000	31 December 2009 RMB'000
Profit before taxation is arrived at after charging/(crediting):			
Amortisation of intangible assets	5	**375**	119
Depreciation of property, plant and equipment	6	**14,240**	41,454
Directors' fees - directors of the Company		**2,203**	2,220
Exchange gain/(loss)		**300**	(940)
Minimum lease payments under operating leases		**2,460**	2,460
Research and development expenses		**3,565**	12,869
Staff Costs			
Directors' remuneration other than fee			
- directors of the Company		**123**	66
- retirement scheme contribution		**20**	18
Key management personnel			
- salaries, wages and related costs		**1,448**	1,187
- retirement scheme contribution		**89**	69
Other than key management personnel			
- salaries, wages and related costs		**34,007**	30,921
- retirement scheme contribution		**12,142**	10,061
		47,829	42,322

24 Income tax expense

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Current taxation	24,083	42,564
Under provision of taxation with respect to prior year	2,748	–
Deferred tax asset (Note 9)	–	(5,000)
Deferred tax liability on withholding tax (Note 17)	7,377	–
	34,208	37,564

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Profit before taxation	100,502	160,162
Tax at statutory rate of 25% (2009 – 25%)	25,125	40,041
Under provision of taxation with respect to prior year	2,748	–
Deferred tax liability on withholding tax (Note 17)	7,377	–
Tax effect on non-taxable income	(3,327)	(5,085)
Tax effect on non-deductible expenses	2,285	2,608
	34,208	37,564

Wholly foreign-owned enterprises are subject to the PRC state and local income tax rates pursuant to the income tax laws of the PRC for foreign investment enterprises and foreign enterprises (the "Tax Laws").

As a foreign investment enterprise established under the laws of the PRC, YELI China are entitled to full exemption from national income tax for the first two years and a 50% reduction in national income tax for the next three years (the "Regular Tax Reduction and Exemption Treatment"). During the financial year, the PRC tax authority had informed YELI China that 31 December 2008 was to be its first profitable year for the purpose of determining the tax holiday period. Accordingly, YELI China is in its third tax incentive year and has to pay tax at the rate of 12.5% for the financial year.

25 Other comprehensive income after tax

Disclosure of tax effects relating to each component of other comprehensive income:

		31 December 2010	
	RMB'000	**RMB'000**	**RMB'000**
The Group	**Before tax**	**Tax expenses**	**Net of tax**
Currency translation differences	**3,328**	**–**	**3,328**

		31 December 2009	
	RMB'000	RMB'000	RMB'000
	Before tax	Tax expenses	Net of tax
Currency translation differences	1,610	–	1,610

26 Earnings per share

The Group

The basic and diluted earnings per share are calculated based on the consolidated profits on the weighted average number of shares in issue of 953,906,000 shares (2009 - 723,535,000 shares) during the financial year. The Company has completed a share placement of 120,000,000 shares during the year. There is no potential dilution on earning for the relevant financial years.

27 Dividends

	31 December 2010	31 December 2009
The Company and The Group	**RMB'000**	RMB'000
Final dividend paid in respect of the previous financial year of RMB Nil (2009 - RMB 0.0275) per share	**–**	18,527*

* Based on the number of issued ordinary shares of the Company prior to the right issue exercise.

27 Dividends (Cont'd)

After the end of the reporting period, the directors proposed a first and final dividend tax exempt (one-tier) dividend of RMB 0.0065 per ordinary share. Based on the share capital as at 31 December 2010, the proposed final dividend is estimated at RMB 6,254,000 which will be subject to the approval of shareholders at the next Annual General Meeting of the Company. The actual amount can only be determined on the book closure date.

The financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year the shareholders approve the dividends.

28 Related party transactions

During the financial year, the Group had repaid the amount owing to directors by approximately RMB 32,468,000.

29 Commitments

(a) Operating leases commitments

The total future minimum lease payments of the Group under non-cancellable operating leases for business and assets of Hengfa Light Industry are as follows:

The Group	**31 December 2010 RMB'000**	31 December 2009 RMB'000
Within one year	**1,835**	2,460
In the second to fifth years	**960**	875
	2,795	3,335

The leases on the Group's office and hostel, and factory premises on which rentals are payable will expire on 31 July 2011 and 31 December 2012, subject to an option to renew, and the current rent payable on the leases are RMB 125,000 and RMB 80,000 per month respectively which are subject to revision on renewal.

29 Commitments (Cont'd)

(b) Capital expenditure

The Group	31 December 2010 RMB'000	31 December 2009 RMB'000
Capital expenditure contracted but not provided for:		
- acquisition of machinery	**–**	4,625
- construction of multi-complex	**51,396**	–
- construction of outlet fixtures	**40,389**	–

30 Operating segments

For management purposes, the Group is organised into two reportable operating segments, which are footwear, and apparels and accessories. There are no operating segments that have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group's income taxes are managed on group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties, if any.

30 Operating segments (Cont'd)

The segment information provided to the management for the reportable segments for the financial year from 1 January 2010 to 31 December 2010 is as follows:

	Footwear		Apparel and Accessories		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment Revenue	**844,397**	1,507,983	**378,581**	396,816	**1,222,978**	1,904,799
Segment Results	**81,053**	119,686	**107,914**	128,183	**188,967**	247,869
Interest income	**2,347**	2,272	**899**	597	**3,246**	2,869
Unallocated other income					**300**	10
Unallocated expenses					**(90,585)**	(89,214)
Finance costs					**(1,426)**	(1,372)
Operating profit					**100,502**	160,162
Income taxes					**(34,208)**	(37,564)
Net profit					**66,294**	122,598
Segment assets	**364,779**	258,220	**83,640**	40,047	**448,419**	298,267
Segment liabilities	**(192,858)**	(199,605)	**(73,833)**	(52,800)	**(266,691)**	(252,405)
Other information						
Capital expenditures:						
- Property, plant and equipment	**(136)**	(11,785)	**(52)**	(2,710)	**(186)**	(14,495)
- Land use rights	**(15,000)**	–	**–**	–	**(15,000)**	–
Depreciation	**(12,423)**	(34,251)	**(1,217)**	(7,203)	**(14,240)**	(41,454)
Amortisation of land use rights and intangibles	**(351)**	(107)	**(24)**	(12)	**(375)**	(119)

30 Operating segments (Cont'd)

	2010 RMB'000	2009 RMB'000
Reported segment assets are reconciled to total assets as follows:		
Segment assets	**448,419**	298,267
Cash and cash equivalents	**924,004**	897,187
Pledged fixed deposits	**23,975**	4,692
Total assets	**1,396,398**	1,200,146
Reported segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**266,691**	252,405
Provision for income tax	**5,015**	1,263
Non-current liabilities	**7,377**	–
Total liabilities	**279,083**	253,668

There is no geographical segment information presented as the Group is located and operates predominantly in the PRC.

31 Financial risk management objectives and policies

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2010, the Group's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables, trade and bill payables, accrued liabilities and other payables, and bank borrowings.

31 Financial risk management objectives and policies (Cont'd)

31.1 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument that is denominated in a currency other than respective functional currencies of Group entities will fluctuate due to changes in foreign exchange rates.

The Group's businesses are principally conducted in Renminbi, except that interest income are mainly in Singapore dollar.

As at 31 December 2010, the non-Renminbi assets and liabilities of the Group are mainly bank deposits in Singapore dollar. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The Group's exposure to foreign currency risk is as follows:

The Group	**As at 31 December 2010 RMB$'000**	As at 31 December 2009 RMB$'000
Bank deposits denominated in Singapore dollar	**71,029**	10,677

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity to a reasonably possible change in SGD exchange rates (against RMB), with all other variable held constant, of the Group's profit net of tax and equity.

		As at 31 December 2010 RMB'000		As at 31 December 2009 RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5% (2009 – 5%)	**+3,596**	**+3,596**	+534	+534
	- weakened 5% (2009 – 5%)	**-3,596**	**-3,596**	-534	-534

31 Financial risk management objectives and policies (Cont'd)

31.2 Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates.

The Company's and the Group's exposure to interest rate risk arises primarily from their cash at bank, pledged fixed deposit and bank borrowings. All of the Company's and the Group's bank borrowings are less than 12 months (2009 - less than 12 months) from the end of reporting period.

Sensitivity analysis for interest rate risk

The Group's exposure to interest rate risk is as follows:

(a) At the end of the reporting period, if Renminbi interest rate had been 25 (2009 - 25) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB 2,192,000 (2009 - RMB 2,230,000) higher or lower respectively, arising mainly as a result of lower or higher interest income on floating rate of cash at bank and pledged fixed deposit.

(b) At the end of the reporting period, if Renminbi interest rate had been 25 (2009 - 25) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB 87,500 (2009 - RMB 25,000) higher or lower respectively, arising mainly as a result of lower or higher interest expense from bank borrowings.

(c) At the end of the reporting period, if Singapore dollar interest rate had been 25 (2009 - 25) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB 9,000 (2009 - RMB 9,000) higher or lower, arising mainly as a result of higher or lower interest income from fixed deposits.

31.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk arises primarily from bank deposits and trade receivables.

For bank deposits, a majority of the cash at banks is held with reputable financial institution in the PRC.

For trade receivables, management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The Group does not require collateral in respect of financial assets.

31 Financial risk management objectives and policies (Cont'd)

31.3 Credit risk (Cont'd)

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

There is no concentration of credit risk.

Further details of credit risks on trade receivables are disclosed in Note 11.

31.4 Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

The Group	**Less than 1 year RMB'000**
At 31 December 2010	
Trade, bills and other payables	**200,351**
Interest-bearing bank borrowings	**35,000**
	235,351
At 31 December 2009	
Trade, bills and other payables	242,405
Interest-bearing bank borrowings	10,000
	252,405

31 Financial risk management objectives and policies (Cont'd)

31.4 Liquidity risk (Cont'd)

The Company	**Less than 1 year RMB'000**
At 31 December 2010	
Trade and other payables	**34,716**
At 31 December 2009	
Trade and other payables	66,848

The Group maintains sufficient level of cash and cash equivalents to meet its working capital requirements.

31.5 Market price risk

The Group does not hold any quoted or marketable financial instruments; hence it is not exposed to any movement in market prices.

32 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Company's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group also monitors its capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as adjusted capital divided by net debt. Net debt is calculated as total debt (current liabilities and non-current liabilities) as shown in the statement of financial position and less cash and cash equivalents. Adjusted capital comprises all components of equity and the above mentioned restricted statutory reserve fund.

32 Capital management (Cont'd)

The Group's net debt to equity ratio as at 31 December 2010 and 2009 are as follows:

The Group	2010 RMB'000	2009 RMB'000
Total debt	**82,950**	14,533
Less: Cash and cash equivalents	**(924,004)**	(897,187)
Net debt/(cash)	**(841,054)**	(882,634)
Total equity	**1,117,315**	946,478
Less: Statutory reserve	**(78,271)**	(70,075)
Adjusted capital	**1,039,044**	876,403
Net debt-to-adjusted capital ratio	**N/A**	N/A

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce debt.

There were no changes in the Group's overall approach to capital management during the year. The Group currently does not adopt any formal dividend policy.

33 Financial Instruments

Fair values

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at end of reporting period would be significantly different from the values that would eventually be received or settled.

34 Event after reporting date

No item, transaction or event of a material or unusual nature as arisen in the interval between 31 December 2010 and the date of the report from the independent auditor.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2010

Authorised Share Capital	:	HK$500,000,000
Issued and fully paid-up capital	:	HK$38,485,000
Class of equity securities		Number of equity securities
Ordinary Shares	:	962,125,000 Ordinary Shares of HK$0.04 each
Treasury Shares	:	Nil
Voting Rights	:	One vote per share (excluding treasury shares)

STATISTICS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	999	179	3.14	79,269	0.01
1,000	-	10,000	1,078	18.89	7,024,850	0.73
10,001	-	1,000,000	4,405	77.17	365,293,912	39.97
1,000,001		and above	46	0.80	589,726,969	61.29
			5,708	100.00	962,125,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Lin Shaoxiong[1]	282,500,000	29.36	–	–
Orkla ASA	60,099,469	6.25	–	–

The percentage of shareholding above is computed based on the total issued shares of 962,125,000 excluding treasury shares.

Note:

(1) Lin Shaoxiong's shares of 282,500,000 in the share capital of the Company are held in the name of nominee, UOB Kay Hian Pte Ltd.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	UOB KAY HIAN PTE LTD	343,047,500	35.66
2.	HSBC (SINGAPORE) NOMINEES PTE LTD	65,097,462	6.77
3.	DBS VICKERS SECURITIES (S) PTE LTD	25,204,000	2.62
4.	OCBC SECURITIES PRIVATE LTD	23,658,950	2.46
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	11,717,500	1.22
6.	DBS NOMINEES PTE LTD	10,921,235	1.14
7.	PHILLIP SECURITIES PTE LTD	7,676,822	0.80
8.	LING HUA EE	6,500,000	0.68
9.	TAN POH GHEE	5,400,000	0.56
10.	WOON WEE YIM	5,150,000	0.53
11.	HONG LEONG FINANCE NOMINEES PTE LTD	5,042,000	0.52
12.	TAY AH KEE	5,000,000	0.52
13.	TAN CHUAN HEONG	4,662,000	0.48
14.	CIMB SECURITIES (SINGAPORE) PTE LTD	4,039,000	0.42
15.	RAFFLES NOMINEES (PTE) LTD	3,409,500	0.35
16.	AMFRASER SECURITIES PTE. LTD.	3,068,000	0.32
17.	NEO MENG HWA	3,034,000	0.32
18.	KIM ENG SECURITIES PTE. LTD.	3,016,000	0.31
19.	KOH PANG KIUM	3,000,000	0.31
20.	LIM & TAN SECURITIES PTE LTD	2,903,500	0.30
		541,547,469	56.29

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

64.37% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sports International Limited (the “Company”) will be held at Changi Room 2 & 3, Level 4, Holiday Inn Atrium Singapore, 317 Outram Road, Singapore 169075 on Thursday, 28 April 2011 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the year ended 31 December 2010 together with the Auditors’ Report thereon.

   (Resolution 1)

2. To declare a tax-exempt one-tier first and final dividend of RMB0.0065 per share for the year ended 31 December 2010.

   (Resolution 2)

3. To re-elect Mr Sim Hong Boon as Director of the Company retiring pursuant to Bye-law 85(6) of the Bye-laws of the Company.
   [See Explanatory Note (i)]

   (Resolution 3)

4. To approve the payment of Directors’ fees of S$158,000 for the year ended 31 December 2010 (2009: S$158,000).

   (Resolution 4)

5. To re-appoint Messrs Foo Kon Grant Thornton as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 5)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares in the capital of the Company pursuant to Bye-law 12(3) of the Bye-laws of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Bye-law 12(3) of the Bye-laws of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (ii)]

(Resolution 6)

8. **The Proposed Renewal of the Share Buy-Back Mandate**
(to be voted on by taking of a poll)

That:

(a) for the purposes of the Bermuda Companies Act and the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and pursuant to the Company's Memorandum of Association and Bye-laws, the directors of the Company ("**Directors**") be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) an on-market purchase ("**Market Purchase**") on the **SGX-ST**; and/or

(ii) an off-market purchase in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Listing Manual ("**Off-market Purchase**"),

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Bermuda Companies Act, the Bye-laws and the Listing Manual as may for the time being be applicable ("**Share Buy-back Mandate**");

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buy-back Mandate in paragraph (a) of this Ordinary Resolution may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:

(i) the date on which the next AGM is held or is required by law or the bye-laws of the Company to be held;

(ii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Shareholders (as hereinafter defined) in a general meeting; or

(iii) the date on which purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated,

(the "**Relevant Period**");

(c) in this Ordinary Resolution:

"**Maximum Limit**" means that number of issued Shares representing not more than ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Ordinary Resolution unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Bermuda Companies Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-market Purchase, up to 120% of the Highest Last Dealt Price (as hereinafter defined).

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, immediately before the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-market Purchase;

(d) the Directors or any one of them of the Company be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Buy-back Mandate in any manner as they think fit, which is permissible under the Bermuda Companies Act and the Listing Manual; and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

(Resolution 7)

NOTICE OF BOOK CLOSURE DATE FOR A FIRST AND FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2011 for the purpose of determining the members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 28 April 2011.

Duly completed registrable transfers in respect of the shares of the Company received by the Company's Share Transfer Agent in Singapore, B.A.C.S. Private Limited up to 5.00 p.m. on 9 May 2011 will be registered to determine members' entitlements to such dividend. Member whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 9 May 2011 will be entitled to such proposed dividends.

Payment of the dividend, if approved by the members at the Annual General Meeting, will be paid on 1 June 2011.

By Order of the Board

Nicole Tan Siew Ping
Company Secretary

Singapore

14 April 2011

Explanatory Notes:

(i) Mr Sim Hong Boon will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee and will be considered independent.

(ii) The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A registered Shareholder entitled to attend and vote at the Annual General Meeting (“AGM”) is entitled to appoint not more than 2 proxies to attend and vote in his stead. A proxy needs not be a member of the Company.

2. If a registered Shareholder is unable to attend the AGM and wished to appoint a proxy to attend and vote at the AGM in his stead, then he should complete and sign the relevant Shareholder Proxy Form and deposit the duly completed Shareholder Proxy Form at the office of the Company’s Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 not later than 48 hours before the time appointed for the AGM.

3. A depositor registered and holding Shares through the CDP who/which is (i) an individual but is unable to attend the AGM personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depository Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company’s Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758 not later than 48 hours before the time appointed for the AGM.

4. If a Shareholder who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the AGM and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Shareholder Proxy Form, respectively, for the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.

5. A Depositor who is an individual and who wishes to attend the AGM in person need not take any further action and can attend and vote at the AGM as CDP’s proxy without the lodgement of any proxy form.

YELI

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