YELI

CHINA SPORTS INTERNATIONAL LIMITED

MOVING BEYOND LIMITS

ANNUAL REPORT 2011

contents

about us

China Sports International Limited is mainly 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 (野力) 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 first, second, third and fourth tier cities in the PRC.

FUNCTION

Our lines of apparel and footwear are designed to serve their purpose and function well. May it be for extreme sports or casual leisure activities, our products are produced with great emphasis to detail and form to ensure that they meet our quality requirements, and live up to our promise of excellence.

换气循环系统

针孔透气设计使帮面内面鱼帮衬之间形成众多小槽孔，增强空气流动，保持鞋内舒适感。

透气孔

鞋底，中底衬150个透气孔相连通，保证鞋内碳元素流通循环，透气，清新。

防水透气膜

鞋中衬与鞋底间附有一层透气隔水膜，通过带孔的鞋底排除汗水，同时阻止外部水分进入鞋内。

透气循环系统

碳元素吸臭中底衬30个0.8厘米的透气孔与鞋底透气气孔相连通，透气循环带来的良好舒适性。

减震缓冲系统

底部由12个凹槽形成的骆驼峰形状，并贴合气体循环功能的中底，具有高强度的减震缓冲系统。

12孔排气系统

鞋底的中底横向开12个凹槽，其两端形成通风口，同时减轻鞋重量，全轻上陈。

一次带给足部
舒适的科技变革

野力新一代呼吸鞋
享受27°C 的舒适

Air ventilation　Water - proof　Shock absorption



YESLIVE

chairman's statement


LIN SHAOXIONG *Chairman & CEO*

Dear Shareholders,

On behalf of the Board of Directors of China Sports International Limited, I am pleased to present our annual report for the financial year ended 31 December 2011 ("FY11").

Financial Highlights

For FY11, our revenue decreased by approximately 25.3% from RMB 1.2 billion in the previous year to RMB 913.1 million. Earnings per share in FY11 was RMB 5.25 cents while net asset value per share as at 31 December 2011 was RMB 120.88 cents.

The decrease in revenue can be mainly attributed to the increased competition in the industry, especially for footwear products. Product homogeneity in the market has resulted in weaker demand for our own products; and accordingly, our distributors, aware of the intensified competition, became more prudent when placing their orders for footwear and apparel products.

Gross profit has decreased slightly by 2.6% from approximately RMB 195.5 million to approximately RMB 190.4 million as a result of the reduction in revenue. However, our overall gross profit margin increased by 4.9% due to higher margin derived from the sale of the patented YELI breathable shoes. With the positive response and the better margin from our new range of YELI breathable shoes, we had focused more on its production and sales in FY11, resulting in it comprising a larger portion of our total footwear revenue (79.4%) in FY11, as compared with FY10 (68.3%). Footwear sales, in turn composed 68.7% of total Group revenue in FY11.

Technological Edge

This past year saw the continuous increase of consumer spending power in China. Despite this development, the market for sportswear remains challenging with widespread competition amongst brands. Consumers are presented with wider selection of products to choose from, thereby giving them opportunity to compare price, quality and design. As such, only products that significantly differentiate themselves in the market are capable of capturing the consumers' fancy .

We believe that we have an advantage with our YELI breathable shoes; this year saw the launch of a brand new range which has received positive feedback from both our distributors and consumers. Overall footwear gross profit margin improved in FY11 to 16.2% from 9.4% in FY10, mainly attributable to greater sales of higher-margin YELI breathable shoes.

We have also managed to enter into a Technological License Contract with the owner of the intellectual property utilised in our breathable shoes, Mr. Lin Yongjian (林永建). This contract grants us worldwide exclusive license to use the technology for the manufacture and sale of our products for a period of 15 months commencing 1 October 2011.

This milestone, however, does not come without incident -- earlier in the year, the design patent and its technology had been infringed in China by parties who had copied, manufactured and sold shoes with designs and features similar to the patented YELI breathable shoes. The Group, along with the licensor, Mr. Lin Yongjian (林永建), had taken legal action. Eventually, Quanzhou Court in Fujian Province, China ruled in the Group and licensor's favour, barring the guilty parties from manufacturing infringing products, and obligating them to dispose the remaining products in their inventory along with manufacturing mould, and provide monetary compensation to Mr. Lin Yongjian (林永建).

The Group will continue to diversify its footwear and apparel product range, branching out and launching new designs with added focus towards the sports casual wear market.

Analysing our sales according to business segments, footwear remained the main contributor to Group revenue, accounting for 68.7% of Group revenue in FY11, down from 72.3% in FY10. Apparel contribution to Group revenue has increased to 28.4% in FY11 from 25.5% in FY10. Accessories contribution to Group revenue increased to 2.9% in FY11 from 2.2% in FY10.

Meanwhile, there was a 1.5% decrease of gross profit margin for YELI apparel and a 4.4% decrease of gross profit margin for YELI accessories. The decreases were mainly attributable to higher unit sub-contracting cost and higher unit raw material costs.

Selling and distribution costs increased by 29.7% to about RMB 100.4 million in FY11 due to more resources being deployed for the new advertising and promotional programs for the promotion of the breathable shoes, providing new outlet fixtures for new specialty stores as well as changing the existing specialty stores to the new design and layout in FY11.

Outlook for FY 2012

Despite the challenging market conditions which resulted in lower sales for footwear products, our Group will continue to devote time and effort on research and development in order to introduce more high quality and health-promoting shoes to meet this developing demand among consumers and to capture a greater market share in the increasingly consolidated market.

Our Group will continue to transform and reposition both its footwear and apparel product range, by launching new designs with added focus towards the sports casual wear market in order to further differentiate its products from other sportswear companies.

Leveraging on our experience, we also intend to penetrate the kids-wear market by offering footwear and apparel for children. Currently, the kids-wear market in China is highly fragmented with no dominant brand. Our Group plans to leverage on the positive market response towards YELI breathable shoes and introduce a new range of breathable shoes for children, further increasing the presence and brand value of YELI in the China market.

Our Group has also commenced research and development work with a view towards introducing a new range of mid-end to high-end footwear products for adults based on the unique and patented technology of YELI breathable shoes and targets to introduce them during the second half of 2012. Our Group expects market conditions to remain challenging and will continue to manage its overheads and other operating costs in order to improve its operating performance.

Appreciation

I would like to extend my appreciation and sincere thanks to the shareholders, fellow directors, suppliers, and staff. With your unwavering faith and commitment in the coming years, we are confident that we are capable of emerging from possible challenges stronger than before.

Lin Shaoxiong (林少雄)
Chairman and Chief Executive Officer

operations review

REVENUE

For the year ended 31 December 2011 (“FY11”), revenue decreased by 25.3% or approximately RMB 309.9 million to RMB 913.1 million from RMB 1.2 billion in the previous corresponding period (“FY10”).

The decrease in revenue in FY11 was mainly attributable to the increasing competition in the industry, especially for footwear products, which resulted in weaker demand for our products. Over the year in review, our distributors, being aware of the intensified competition, became more prudent in their orders for footwear and apparel products.

Footwear

In FY11, footwear products recorded approximately RMB 627.8 million in sales representing a decrease of approximately RMB 256.6 million or 29.0% over sales of footwear products of approximately RMB 884.4 million in FY10.

The decrease in footwear revenue was mainly due to more intense competition in the footwear business in the PRC. Product homogeneity in the market had resulted in weaker demand for our products and our distributors, aware of the intensified competition, became more prudent when placing orders for our footwear products.

With strong market acceptance and the better margin derived from the new range of YELI breathable shoes, the Group has focused more on the production and sales of its YELI breathable shoes during the financial year in review. This resulted in the increase in the proportion of YELI footwear revenue over total footwear revenue to 79.4% in FY11 from 68.3% in FY10.

In FY11, the Group recorded OEM footwear revenue of approximately RMB 129.2 million, a decrease of approximately RMB 150.9 million or 53.9% over revenue of approximately RMB 280.1 million in FY10. The decrease of OEM footwear revenue 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 decreased to 20.6% in FY11 from 31.7% in FY10.

Apparel

In FY11, our YELI apparel sales decreased to approximately RMB 259.2 million which represented approximately 33.1% and 28.4% of our YELI revenue and of our total revenue respectively as compared to approximately 33.0% and 25.5% of our YELI revenue and our total revenue in FY10. The weaker consumer demand and more cautious stance among distributors, coupled with the intensified price competition led to the decrease in the average selling price of YELI apparel, affecting the revenue for YELI apparel in FY11.

Accessories

In FY11, our YELI accessories sales was approximately RMB 26.1 million which represented 3.3% and 2.9% of our YELI revenue and our total revenue in FY11, as compared to approximately 2.9% and 2.2% of our YELI revenue and our total revenue in FY10.

The decrease in sales in this segment in FY11 was mainly attributable to weaker consumer demand and a more cautious stance among distributors, resulting in them being more prudent when placing orders.

The distribution network for our YELI products in the PRC remained stable as the number of points-of-sale as at 31 December 2011 was comparable to the number of points-of sale as at 31 December 2010. Over the same period, the number of specialty stores lessened by 3% from over 730 to over 710. Due to the positive response to the new range of YELI breathable shoes, the Group's distributors have started to open more counters and shops-in-shops in first-tier and second-tier cities to increase the brand awareness of YELI and to improve the mix of our points-of-sale.

As we move into 2012, the Group will continue encouraging distributors to establish more counters and shops-in-shops in first-tier and second-tier cities to complement YELI specialty stores in third-tier and forth-tier cities which will improve the image and visibility for our entire range of YELI products including footwear, apparel and accessories.

	FY11	FY10	Growth
Points-of-sale	Over 1930*	Over 1,930*	-
YELI specialty stores	Over 710	Over 730	(3)%

- 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.

Cost of goods sold and gross profit margin

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 304.8 million or 29.7% from approximately RMB 1.0 billion in FY10 to approximately RMB 722.7 million in FY11.

With the lower revenue, sub-contracting cost (including raw materials) of the footwear products, apparel and accessories decreased by approximately RMB 105.9 million or 26.6% from approximately RMB 397.8 million in FY10 to approximately RMB 291.9 million in FY11. The production of apparel and accessories are completely outsourced and more of the production of footwear products is being shifted from sub-contractors back to our factories for better quality control and to reduce costs in order to improve our gross margin.

Our gross profit has decreased slightly by approximately RMB 5.1 million or 2.6% from approximately RMB 195.5 million in FY10 to approximately RMB 190.4 million in FY11 as a result of a reduction in revenue. However, our overall gross profit margin has increased from approximately 16.0% in FY10 to 20.9% in FY11, due to higher margin derived from the YELI breathable shoes.

The increase of the gross profit margin of our footwear in the current financial year was mainly attributable to the higher gross profit margin registered for the YELI breathable shoes. The gross profit margin of YELI apparel in FY11 decreased 1.5% as compared to FY10. The decrease of gross profit margin of YELI apparel was mainly attributed to higher unit sub-contracting cost and higher unit raw material costs and the decrease of average selling price on YELI apparel in response to the heightened price competition within the industry.

The gross profit margin for YELI accessories in FY11 was approximately 7.4% as compared to approximately 11.8% in FY10. During the year in review, the decrease of gross profit margin for YELI accessories was mainly attributable to higher unit sub-contracting cost and higher unit raw material costs.

Other operating income

Other operating income mainly comprises interest income from bank deposits. The increase in other operating income in FY11 was mainly due to a higher interest rate in FY11 as compared to FY10.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 28.9 million or 29.8% from approximately RMB 97.1 million in FY10 to approximately RMB 126.0 million in FY11. As a percentage of revenue, operating expenses increased to approximately 13.8% in FY11 from approximately 7.9% in FY10.

operations review

The main increase in total operating expenses came from selling and distribution costs which increased by approximately RMB 23.0 million or 29.7% from approximately RMB 77.4 million in FY10 to approximately RMB 100.4 million in FY11. The increase was due to more resources being deployed for the new advertising and promotional programs to promote the breathable shoes and providing new fixtures for new points of sale and changing the design and layout of existing specialty stores in the year in review. Hence, there was a significant increase in the depreciation charge in relation to the newly purchased outlet fixtures which amounted to approximately RMB 15.7 million in FY11. Administrative expenses increased by approximately RMB 5.9 million or 29.9% from approximately RMB 19.7 million in FY10 to approximately RMB 25.6 million in FY11. The increase was due to professional fees for re-positioning our products and the acquisition of the shares in Jinjiang Guosheng Shoe Material Company Limited.

Finance costs

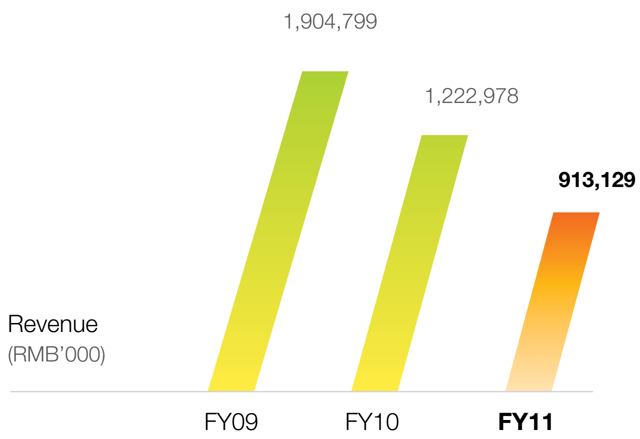
Finance costs in FY11 increased by approximately RMB 3.0 million or 214.3% from approximately RMB 1.4 million in FY10 to approximately RMB 4.4 million in FY11. The increase was due to higher amount of outstanding bank loans and increased interest rate in FY11 as compared to FY10.

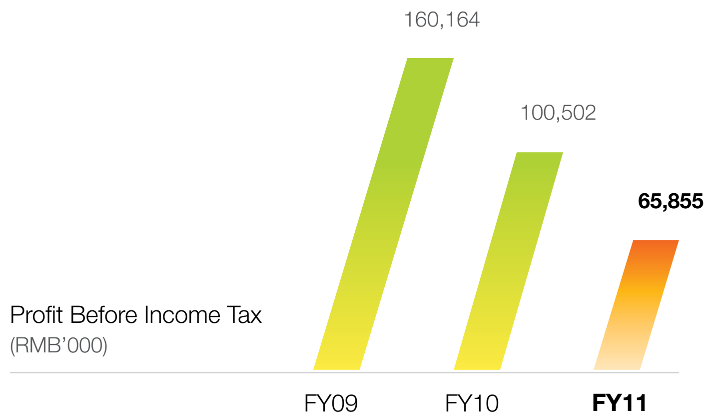
Income tax

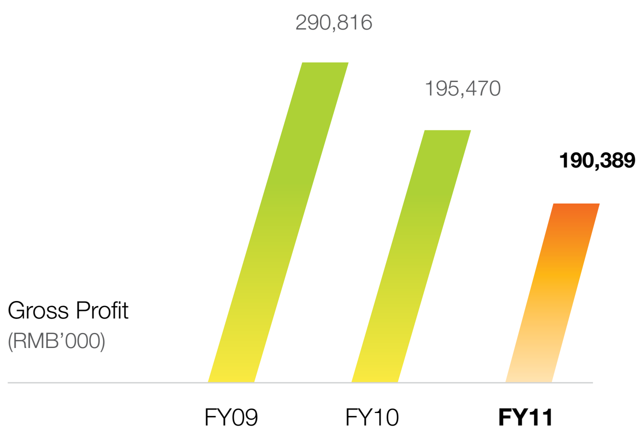
Income tax expense has decreased by approximately RMB 18.9 million or 55.2% from approximately RMB 34.2 million in FY10 to approximately RMB 15.3 million in FY11 due to a lower profit before tax for FY11 as compared to FY10 as well as lower provision for withholding tax on dividend. The Group has expected the price competition for the sports apparel industry to continue in the coming two years and has thus re-considered the amount of the dividend to be declared for a foreseeable future and had reversed excess provision of withholding tax of approximately RMB 6.9 million in 4Q 11. Accordingly, the effective tax rate had decreased by approximately 34.0% to 23.3% when comparing FY11 with FY10 due to lower provision for withholding tax on the probable dividend payment.

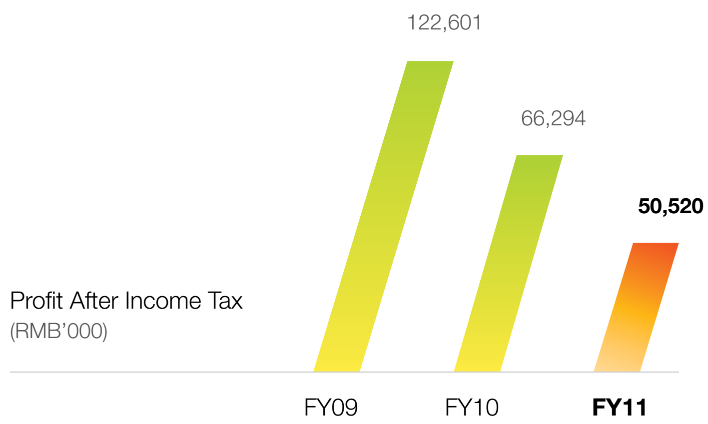

YES LIVE!

financial highlights









YES LIVE!

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

Distribution Network

Global Network

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

FASHION

Today is the start. Express yourself and watch the rest of the world follow. Young or old, let nothing and no one stop you. Move beyond the limits of your imagination.


GREEN PATROLS
PLANET
EARTH

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 from 2006 to 2007. He has also been the Honorary Chairman of the Quanzhou City Sino-foreign Association 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 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 Hong Boon (沈鸿文)

Independent Director

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).

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 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 from February 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.

corporate information

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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 TRANSFER AGENT
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63 Cantonment Road
Singapore 089758

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

AUDITORS
Foo Kon Tan Grant Thornton LLP
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce
& Industry Building
Singapore 179365
Partner-in-charge: Mr Wong Kian Kok
Appointed on: 1 November 2011

corporate governance report, fianancial 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 April 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 April 2010	N.A.
Mr Sim Hong Boon	Independent Director	27 April 2010	28 April 2011	N.A.

The detailed profiles of the Directors are set out on pages 16 to 17 of this Annual Report.

The Board's role is to:

CG Guideline 1.1

- 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;
- 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.

CORPORATE GOVERNANCE REPORT

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

Type of Meetings / Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Meetings held	**Meetings attended**	**Meetings held**	**Meetings attended**	**Meetings held**	**Meetings attended**	**Meetings held**	**Meetings attended**
Mr Lin Shaoxiong	7	7	5	4*	1	1*	1	1*
Mr Lin Shaoqin	7	1	5	–	1	–	1	–
Ms Lai Chin Yee	7	7	5	5	1	1	1	1
Mr Tham Hock Chee	7	7	5	5	1	1	1	1
Mr Sim Hong Boon	7	5	5	3	1	1	1	1

* By Invitation

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.

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. CG Guidelines 2.1 and 4.3

The NC's review of the independence of each Director for the financial year ended 2011 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 judgement 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.

CORPORATE GOVERNANCE REPORT

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

The NC comprises the following non-executive and Independent Directors: CG Guideline 4.1

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 2011. 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.

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: CG Guideline 4.2

- 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/her consent for re-election at the Company's forthcoming AGM. The retiring Directors are Mr Lin Shaoxiong and Ms Lai Chin Yee who will retire pursuant to Bye-law 86(1) 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 notsuitable, 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.

CORPORATE GOVERNANCE REPORT

The RC meets at least once annually and had full attendance by its committee members during the financial year ended 31 December 2011. 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.

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 8.1

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 Guideline 8.2

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. CG Guidelines 8.3 Commentary 8.6

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	85	9	6	–	100
Lai Chin Yee	–	–	–	100	100
Tham Hock Chee	–	–	–	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	48	32	20	–	100
Xie Liangchen	48	32	20	–	100
Fu Chengzhong	48	32	20	–	100

Immediate family members of Directors or CEO

CG Guideline 9.3

Save that Lin Shaoxiong and Lin Shaoqin 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 the financial year ended 31 December 2011.

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 37. 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 2011. 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 2011. 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

CG Guidelines 11.4, 11.6, 11.8 and 12.1

- to review with the external auditors:

  (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. The aggregate fees paid to the external auditors comprise only fees for audit services and amount to S$148,000. The extenal auditors were appointed to audit the accounts of the Company, its subsidiaries and its significant associated Companies. The Company is therefore in compliance with Rules 712 and 715 of the Listing Manual. 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, in the absence of any evidence to the contrary, the Board is of the opinion, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risk to meet the needs of the Group in its current business environment, having regard to the scale and nature of the Group's business. 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 30 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 2011.

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.

USE OF PLACEMENT PROCEEDS

As previously announced, with the termination of our distribution rights for the Federation Internationale de Football Association's collection of football, lifestyle clothing and accessories, the Directors had changed the use of the balance proceeds from a placement.

The following table sets out the details of the utilisation of placement proceeds up to 31 December 2011:

No	Planned Usage	Placement Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Penetrate kids-wear market in the PRC: Research & Development ("R&D") and setting up distribution network, including setting up "YELI" kids-wear specialty stores	50.0	0.0	50.0
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	0.0	20.0
3.	Development of online shopping platform	27.9	0.0	27.9
		97.9	0.0	97.9

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.

Mr. Lin Shaoxiong and Mr. Lin Yongjian have jointly provided a personal guarantee to secure Hengfa (Fujian) Light Industry Development Co., Ltd.'s banking facility. We have not paid either of them any form of consideration for the provision of the personal guarantee.

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.

In addition, Mr. Lin Yongjian is the owner of certain intellectual property utilised in our breathable shoes. Mr. Lin Yongjian has on a goodwill basis allowed our Group utilise his intellectual property till 30 September 2011. On 12 December 2011, our Group had entered a licensing agreement with Mr. Lin Yongjian relating to the rights to utilise the technology of the breathable shoes (the "License").

The license fee for the License comprises a sign-on fee (RMB 5 million) and a royalty fee. The royalty fee is a percentage of the revenue generated from the sale of breathable shoes; 2% from 1 October 2011 till 31 December 2011; and 5% thereafter. The licence fee is capped at RMB 55,865,750, being the amount equivalent to 5% of the net asset value of the Group, based on the latest audited accounts prior to the License.

The 2% royalty fee payable to Mr. Lin Yongjian for the financial year ended 31 December 2011 was approximately of RMB 1.1 million.

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 2011:-

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)	–	–
Lin Yongjian	6.1 million	–

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 2011.

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)
Tham Hock Chee (Independent Director)

At the forthcoming Annual General Meeting, Lin Shaoxiong and Lai Chin Yee will be retiring pursuant to Bye-law 86(1) of the Company's Bye-laws and, being eligible, offer themselves 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 of which the object 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 had any interest 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 1.1.2011	**As at 31.12.2011 and 16.3.2012**	As at 1.1.2011	**As at 31.12.2011 and 16.3.2012**
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.

The Scheme is administered by the remuneration committee of the Company, being Mr Tham Hock Chee, Ms Lai Chin Yee and Mr Sim Hong Boon.

No option has been granted under the Scheme since its inception.

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 2011 as well as the auditor's report thereon; and

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

Audit Committee (Cont'd)

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: 10 April 2012

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2011

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 2011 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: 10 April 2012

To the Members of China Sports International Limited

Report on the financial statements

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 2011, 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.

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 2011 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

Singapore, 10 April 2012

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	The Company 31 December 2011 RMB'000	The Company 31 December 2010 RMB'000	The Group 31 December 2011 RMB'000	The Group 31 December 2010 RMB'000
ASSETS					
Non-Current Assets					
Land use rights	4	**–**	–	**16,914**	17,277
Intangible assets	5	**–**	–	**94**	139
Property, plant and equipment	6	**80**	70	**155,210**	65,214
Advances to contractors	7	**–**	–	**–**	30,000
Prepayment	8	**–**	–	**43,713**	–
Subsidiaries	9	**458,436**	510,567	**–**	–
Deferred tax asset	19	**–**	–	**–**	5,000
		458,516	510,637	**215,931**	117,630
Current Assets					
Inventories, at cost	10	**–**	–	**17,203**	28,721
Trade and other receivables	11	**13**	17	**250,336**	302,068
Deferred expenditure	12	**–**	–	**4,000**	–
Amount due from subsidiaries	13	**89,166**	62,233	**–**	–
Pledged fixed deposits	14	**–**	–	**39,980**	23,975
Cash and bank balances	15	**18,368**	70,983	**828,438**	924,004
		107,547	133,233	**1,139,957**	1,278,768
Total assets		**566,063**	643,870	**1,355,888**	1,396,398
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	16	**36,570**	36,570	**36,570**	36,570
Treasury shares	17	**(226)**	–	**(226)**	–
Reserves	18	**501,469**	572,584	**1,125,991**	1,080,745
Total equity		**537,813**	609,154	**1,162,335**	1,117,315

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 2011

		The Company		The Group	
		31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-Current Liability					
Deferred tax liability	19	**–**	–	**7,377**	7,377
Current Liabilities					
Trade and bills payables	20	**–**	–	**80,851**	163,977
Accrued liabilities and other payables	21	**5,099**	12,502	**24,562**	67,714
Amount due to subsidiaries	13	**23,151**	22,214	**–**	–
Bank borrowings	22	**–**	–	**80,000**	35,000
Income tax payable		**–**	–	**763**	5,015
		28,250	34,716	**186,176**	271,706
Total equity and liabilities		**566,063**	643,870	**1,355,888**	1,396,398

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 2011

	Note	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Revenue	3	**913,129**	1,222,978
Cost of sales		**(722,740)**	(1,027,508)
Gross profit		**190,389**	195,470
Other income	3	**5,914**	3,546
Selling and distribution costs	23	**(100,381)**	(77,399)
Administrative expenses		**(25,618)**	(19,688)
Finance costs	24	**(4,449)**	(1,427)
Profit before taxation	25	**65,855**	100,502
Taxation	26	**(15,335)**	(34,208)
Total profit for the year		**50,520**	66,294
Other comprehensive income after tax	27		
Currency translation differences		**980**	3,328
Other comprehensive income for the year, net of tax		**980**	3,328
Total comprehensive income for the year		**51,500**	69,622
Earnings per share (RMB cents)	28		
- Basic and diluted		**5.25**	6.95

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

	Share capital	Treasury share	Share premium (Note 18 a)	Merger reserve (Note 18 c)	Paid-in capital from exchange differences (Note 18 d)	Currency translation reserve (Note 18 e)	Statutory reserve (Note 18 b)	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	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**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**980**	**–**	**50,520**	**51,500**
Purchase of treasury share	**–**	**(226)**	**–**	**–**	**–**	**–**	**–**	**–**	**(226)**
Payment of dividend (Note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,254)**	**(6,254)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**6,138**	**(6,138)**	**–**
Balance at 31 December 2011	**36,570**	**(226)**	**560,135**	**801**	**330**	**3,211**	**84,409**	**477,105**	**1,162,335**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash Flows from Operating Activities		
Profit before taxation	**65,855**	100,502
Adjustments for:		
Depreciation of property, plant and equipment	**22,590**	14,240
Amortisation of land use rights	**363**	288
Amortisation of intangible assets	**45**	87
Property, plant and equipment written off	**421**	–
Unrealised exchange differences	**1,998**	–
Interest expense	**4,449**	1,427
Interest income	**(4,532)**	(3,246)
Operating profit before working capital changes	**91,189**	113,298
Change in operating assets and liabilities:		
- inventories	**11,518**	(3,249)
- trade receivables	**81,445**	(113,498)
- other receivables	**(33,713)**	(2,836)
- trade payables and bill payables	**(83,126)**	17,606
- other payables	**(35,390)**	4,148
Net cash generated from operations	**31,932**	15,469
Interest received	**4,532**	3,246
Interest paid	**(4,449)**	(1,427)
Income tax paid	**(14,587)**	(23,079)
Net cash generated from/(used in) operating activities	**17,419**	(5,791)
Cash Flows from Investing Activities		
Acquisition of intangible assets	**–**	(15,000)
Advance to contractors	**–**	(30,000)
Prepayment for investments	**(43,713)**	–
Acquisition of property, plant and equipment	**(83,007)**	(186)
Net cash used in investing activities	**(126,720)**	(45,186)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash Flows from Financing Activities		
Increase in fixed deposit pledged	**(16,005)**	(19,283)
Decrease in amount owing to director	**(7,312)**	(32,468)
Proceeds from short-term loan	**80,000**	35,000
Repayment of short-term loan	**(35,000)**	(10,000)
Proceeds from issue of shares	**–**	105,419
Issue of share expense	**–**	(4,204)
Purchase of treasury shares	**(226)**	–
Payment of dividend	**(6,254)**	–
Net cash generated from financing activities	**15,203**	74,464
Net (decrease)/increase in cash and cash equivalents	**(94,098)**	23,487
Cash and cash equivalents at beginning of year	**924,004**	897,187
Effect of exchange rates fluctuation	**(1,468)**	3,330
Cash and cash equivalents at end of year (Note 15)	**828,438**	924,004

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2011 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 an 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 9.

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:

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 2011 are RMB 80,000 and RMB 155,210,000 (2010 - RMB 70,000 and RMB 65,214,000) 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.

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

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

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 of 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.

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 tax 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 2011

On 1 January 2011, 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 24	Related Party Disclosures
FRS 32	Classification of Rights Issues
FRS 101	Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments
Improvements to FRSs 2010	

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

FRS 24 Related Party Disclosures

The amended FRS 24 introduces an exemption from the disclosure requirements of FRS 24 of transactions between government-related entities and the government, and all other government-related entities. Those disclosures are replaced with a requirement to disclose:

- the name of the government and the nature of the relationship;
- the nature and amount of any individually significant transactions; and
- a qualitative or quantitative indication of the extent of any collectively significant transactions.

FRS 32 Classification of Rights Issues

The amended FRS 32 address the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amended FRS 32 states that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, regardless of the currency in which the exercise price is denominated if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

FRS 101 Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters

This interpretation provides first-time adopters with the same transition relief as included in the amendment to FRS 107. It made a consequential amendment to FRS 107 to remove the wording, "In the first year of application", and to replace it with date-specific relief for comparative information. Any comparative periods that end before 31 December 2009 are exempted from the disclosures required by the amendments to FRS 107. The relief applies to disclosures related to both the statement of comprehensive income and the statement of financial position.

2(b) Interpretations and amendments to published standards effective in 2011 (Cont'd)

INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments

INT FRS 119 clarifies the accounting when an entity renegotiates the terms of its financial liability with the result that the entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability. INT FRS 119 clarifies that:

- Equity instruments issued to a creditor to extinguish all or part of a financial liability are "consideration paid";
- Equity instruments issued should be measured at the fair value of the equity instruments, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment; and
- Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss.

Improvements to FRSs issued in 2010

The improvements to FRSs issued in 2010 comprise of amendments to the FRS and INT FRS that are effective for annual periods beginning on or after 1 January 2011, unless otherwise stated.

- FRS 1 Presentation of Financial Statements
- Transition requirements for amendments arising as a result of FRS 27 Consolidated and Separate Financial Statements (Effective 1 July 2010)
- FRS 34 Interim Financial Reporting
- FRS 101 First-time Adoption of Financial Reporting Standards
- FRS 103 Business Combinations (Effective 1 July 2010)
- FRS 107 Financial Instruments: Disclosures
- INT FRS 113 Customer Loyalty Programmes

These improvements contain amendments to various accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments.

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)
Amendments to FRS 101	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendments to FRS 107	Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12	Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1	Presentation of items of Other Comprehensive Income	1 July 2012
Amendments to FRS 19	Employee Benefits	1 January 2013
Amendments to FRS 27	Separate Financial Statements	1 January 2013
Amendments to FRS 28	Investments in Associates and Joint Ventures	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013

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.

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 9.

The consolidated financial statements of the Group have been prepared using the historical cost method similar to the "pooling-of-interests" as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. The consolidated financial statements include the results of operations, and the assets and liabilities of the pooled enterprises as part of the Group for the whole of the period.

Other than for accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired since the date of public listing are included in the consolidated income statement from the effective date in which control is transferred to the Group using the purchase method.

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

Consolidation (cont'd)

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. 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.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

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

Consolidation (cont'd)

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity 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.

Please refer to the paragraph "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Land use rights

Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged so as to write off the cost of the land use rights, using the straight-line method, over the period of the grant of 50 years, which is the lease term.

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

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 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 work-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.

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

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.

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on weighted average cost model, and include all costs in bringing the inventories to their present location and condition. 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.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

In the case of manufactured inventory, cost includes all direct expenditure and production overheads based on normal level of activities. 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 assets 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)

Loans 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 (excluding advance to suppliers, prepayments and deposits). 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.

Trade receivables that are factored out to bank with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits 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 and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

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

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.

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 profit or loss. 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.

Research 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.

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

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.

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.

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

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 relation 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 PRC 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.

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.

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

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.

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

<u>Functional and presentation currency</u>

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.

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

Currency translation (cont'd)

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.

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 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 2011 RMB'000**	31 December 2010 RMB'000
Revenue		
Sales of goods	**913,129**	1,222,978
Other income		
Interest income	**4,532**	3,246
Sundry income	**1,382**	–
Exchange gain	**–**	300
	5,914	3,546

4 Land use rights

The Group	**RMB'000**
Cost	
At 1 January 2010	3,173
Additions	15,000
At 31 December 2010 and 2011	**18,173**
Accumulated amortisation	
At 1 January 2010	608
Amortisation for the year (Note 25)	288
At 31 December 2010	**896**
Amortisation for the year (Note 25)	**363**
At 31 December 2011	**1,259**
Net book value	
At 31 December 2011	**16,914**
At 31 December 2010	17,277

Land use rights held by the Group with net book value of RMB 629,000 (2010 - RMB 643,000) as at 31 December 2011 were pledged to a bank to secure a bank borrowing granted to the Group (Note 22).

5 Intangible assets

The Group	Patent RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January and 31 December 2010	77	219	296
Additions	–	–	–
At 31 December 2011	**77**	**219**	**296**
Accumulated amortisation			
At 1 January 2010	4	66	70
Amortisation for the year	43	44	87
At 31 December 2010	**47**	**110**	**157**
Amortisation for the year	**14**	**31**	**45**
At 31 December 2011	**61**	**141**	**202**
Net book value			
At 31 December 2011	**16**	**78**	**94**
At 31 December 2010	30	109	139

6 Property, plant and equipment

The Company	Furniture, fixtures and office equipment RMB'000
Cost	
At 1 January 2010	29
Additions	70
At 31 December 2010	**99**
Additions	**42**
At 31 December 2011	**141**
Accumulated depreciation	
At 1 January 2010	4
Depreciation	25
At 31 December 2010	**29**
Depreciation	**32**
At 31 December 2011	**61**
Net book value	
At 31 December 2011	**80**
At 31 December 2010	70

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	Construction work – in – progress RMB'000	Total RMB'000
Cost							
At 1 January 2010	48,042	40,675	4,870	1,808	69,152	–	164,547
Additions	–	–	77	–	109	–	186
At 31 December 2010	**48,042**	**40,675**	**4,947**	**1,808**	**69,261**	**–**	**164,733**
Transferred from advance to contractor	**–**	**–**	**–**	**–**	**10,000**	**20,000**	**30,000**
Additions	**–**	**835**	**97**	**–**	**53,875**	**28,200**	**83,007**
Exchange difference on translation	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Disposals	**–**	**(698)**	**–**	**–**	**–**	**–**	**(698)**
At 31 December 2011	**48,042**	**40,812**	**5,043**	**1,808**	**133,136**	**48,200**	**277,041**
Accumulated depreciation							
At 1 January 2010	11,290	8,396	2,182	759	62,652	–	85,279
Depreciation (Note 25)	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**
Depreciation (Note 25)	**2,162**	**3,805**	**604**	**325**	**15,694**	**–**	**22,590**
Exchange difference on translation	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Disposals	**–**	**(277)**	**–**	**–**	**–**	**–**	**(277)**
At 31 December 2011	**15,854**	**16,144**	**3,478**	**1,446**	**84,909**	**–**	**121,831**
Net book value							
At 31 December 2011	**32,188**	**24,668**	**1,565**	**362**	**48,227**	**48,200**	**155,210**
At 31 December 2010	34,350	28,059	2,072	687	46	–	65,214

Buildings held by the Group at net book value of RMB 2,880,000 (2010 - RMB 3,168,000) as at 31 December 2011 were pledged to a bank to secure a bank borrowing granted to the Group (Note 22).

The construction work-in-progress will be reclassified to buildings at cost incurred upon completion of construction of factory and office complex.

6 Property, plant and equipment (Cont'd)

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Depreciation expenses		
Depreciation expense charged to:		
Cost of sales	**5,967**	6,742
Administrative expenses	**929**	935
Selling and distribution expenses	**15,694**	6,563
	22,590	14,240

7 Advances to contractors

The Group

Advances to contractors relate to construction of outlet fixtures for retail shops of RMB Nil (2010 - RMB 10,000,000) and construction of a new factory and office complex of RMB Nil (2010 - RMB 20,000,000). Both contracts are entered into with third parties.

Outlet fixtures for retail shops have been completed during the financial year, therefore it has been transferred to property, plant and equipment under outlet fixtures category upon completion.

Advance to contractor for construction of new factory and office complex has been recognised as construction work-in-progress category under property, plant and equipment.

8 Prepayment

The Group

This is cash paid for proposed acquisition of 10% of the aggregate paid-up registered capital of the wholly foreign-owned enterprise established in China, Jinjiang Guosheng Shoe Material Co., Ltd (晋江国盛鞋材有限公司). The acquisition has not been completed at the end of financial year 2011, and is likely to be completed on financial year 2012. The amount paid is therefore recognised as a long-term deposit until the acquisition is legally completed, which will then be recognised as an available-for-sale investment.

9 Subsidiaries

The Company	31 December 2011 RMB'000	31 December 2010 RMB'000
Unquoted equity investment, at cost	**18,072**	18,072
Amounts due from subsidiaries on long-term loan account	**440,364**	492,495
	458,436	510,567

The amounts owing by subsidiaries on long-term loan account are an extension of the Company's net investment in the subsidiaries. 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.

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage		Principal activities
		2011 RMB'000	2010 RMB'000	**2011** %	2010 %	
Held by the Company:						
Theme Way Limited [(1)]	Hong Kong	**18,072**	18,072	**100**	100	Investment holding

9 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage		Principal activities
		2011 RMB'000	2010 RMB'000	**2011 %**	2010 %	
<u>Held by Theme Way Limited:</u>						
Hengfa (Fujian) Light Industry Development Co., Ltd 恒发(福建)轻工业发展有限公司 ("Hengfa Light Industry") (2)	The People's Republic of China	**–**	–	**100**	100	Design and sales of sports fashion footwear, apparel and accessories; and manufacture of sports fashion footwear
YELI (Hong Kong) Company Limited ("YELI Hong Kong") (1)	Hong Kong	**–**	–	**100**	100	Investment holding
YELI Sports (China) Co., Ltd 野力体育（中国）有限公司 ("YELI China") (2)	The People's Republic of China	**–**	–	**100**	100	Sales of sports fashion footwear, apparel and accessories

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

(2) Audited by 夏门良诚会计师事务所有限公司 for statutory reporting and Foo Kon Tan Grant Thornton LLP for the Group reporting purposes.

10 Inventories, at cost

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Raw materials	**8,378**	8,696
Work-in-progress	**6,922**	2,698
Finished goods	**1,903**	17,327
	17,203	28,721
Cost of inventories included in cost of sales	**495,776**	847,454

10 Inventories, at cost (Cont'd)

The amount of inventories, totally RMB 3,490,086, relating to the distribution agreement signed with the Federation Internationale de Football Association ("FIFA") that was carried in the accounts of the Group in financial year 2010 has been sold off at cost during the financial year.

11 Trade and other receivables

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Trade receivables - third parties	**–**	–	**195,789**	277,234
Other receivables	**3**	7	**3**	634
Advance to suppliers	**–**	–	**50,100**	9,034
Prepayments	**10**	10	**4,444**	–
Deposits	**–**	–	**–**	9,426
Tax recoverable	**–**	–	**–**	5,740
	13	17	**250,336**	302,068

Trade receivables generally have credit terms of 90 days (2010 - 90 days).

RMB 28,617,000 (2010 - RMB Nil) of trade receivables is pledged to secure bank borrowings granted to the Group (Note 22).

Advance to suppliers relates to deposit given to suppliers to secure raw materials.

Deposits represent payment of deposits for the acquisition of property, plant and equipment. These deposits were fully recovered during the year.

There is no trade receivable which are past due. All trade receivables are located in the PRC.

Tax recoverable relates to over payment of income tax on prior financial year, and the amount is utilised to offset future PRC tax liabilities of the Group during the year.

12 Deferred expenditure

The Group has signed an IP contract in relation to breathable sports shoes with Mr Lin Yongjiang, Mr Lin Shaoxiong's father during the year. Under the contract, the Group has paid RMB 5,000,000 as the entrance fees (入门费) and is being amortised over the period of the contact from 1 October 2011 to 31 December 2012.

13 Amount due from / (to) subsidiaries

Non-trade amount due from / (to) subsidiaries refer to payment make on behalf and are unsecured, interest-free and repayable on demand.

14 Pledged fixed deposits

The fixed deposits are pledged to a bank to secure a banking facility granted to subsidiaries (Note 20). The fixed deposits have an effective interest rate of 0.91% per annum (2010 - 1.01%).

15 Cash and bank balances

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Fixed deposits with maturity less than 3 months	**3,581**	19,154	**3,581**	19,154
Cash at banks	**14,787**	51,829	**824,787**	904,800
Cash on hand	**–**	–	**70**	50
	18,368	70,983	**828,438**	924,004

15 Cash and bank balances (Cont'd)

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 bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Hong Kong dollar	**–**	–	**76**	81
Renminbi	**–**	–	**809,925**	851,974
Singapore dollar	**18,368**	70,983	**18,415**	71,925
United States dollar	**–**	–	**22**	24
	18,368	70,983	**828,438**	924,004

The effective interest rate for bank deposits is 0.85% per annum (2010 - 0.38% per annum).

16 Share capital

	No. of ordinary shares		Amount	
The Company and The Group	**31 December 2011 '000**	31 December 2010 '000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
<u>Issued and fully paid:</u>				
Balance at beginning of year	**962,125**	842,125	**36,570**	32,352
Placement of shares	**–**	120,000	**–**	4,218
Total	**962,125**	962,125	**36,570**	36,570

16 Share capital (Cont'd)

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

On financial year 2010, 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 (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

17 Treasury shares

	No. of ordinary shares		Amount	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
The Company and The Group	**'000**	'000	**RMB'000**	RMB'000
At beginning of year	**–**	–	**–**	–
Repurchased during the year	**587**	–	**226**	–
Balance at end of year	**587**	–	**226**	–

The Company acquired 587,000 of its own shares through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was RMB 226,000 and has been deducted from the shareholders' equity. The shares are held as "treasury shares".

18 Reserves

		The Company		The Group	
		31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Share premium	(a)	**560,135**	560,135	**560,135**	560,135
Statutory reserve	(b)	**–**	–	**84,409**	78,271
Merger reserve	(c)	**–**	–	**801**	801
Paid-in capital from exchange differences	(d)	**330**	330	**330**	330
Currency translation reserve	(e)	**–**	–	**3,211**	2,231
Retained profits/ (accumulated losses)		**(58,996)**	12,119	**477,105**	438,977
		501,469	572,584	**1,125,991**	1,080,745
Represented by:					
Distributable		**(58,996)**	12,119	**477,105**	438,977
Non-distributable		**560,465**	560,465	**648,886**	641,768
		501,469	572,584	**1,125,991**	1,080,745

(a) Share premium

Share premium represents the difference between the price paid for shares and the par value of the shares.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

19 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Deferred tax assets				
Balance at beginning	**–**	–	**5,000**	5,000
Transfer from income statement (Note 26)	**–**	–	**(5,000)**	–
	–	–	**–**	5,000
Deferred tax liabilities				
Balance at beginning	**–**	–	**7,377**	–
Transfer from income statement (Note 26)	**–**	–	**–**	7,377
	–	–	**7,377**	7,377

Deferred tax liabilities represent withholding tax payable on dividend to be declared by PRC subsidiaries.

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.

20 Trade and bills payables

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Trade payables	**6,391**	116,027
Bills payables	**74,460**	47,950
	80,851	163,977

Trade payables generally have credit terms of 90 days (2010 - 90 days). The trade payables are denominated in RMB.

Bills payables are secured by fixed deposits pledged to a bank (Note 14).

21 Accrued liabilities and other payables

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Accrued liabilities	**1,821**	1,794	**15,513**	39,528
Advances from a third party	**–**	–	**–**	6,243
Amount owing to director	**1,762**	9,074	**1,762**	9,074
Other payables	**1,516**	1,634	**4,495**	8,962
VAT payable	**–**	–	**2,792**	3,907
	5,099	12,502	**24,562**	67,714

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

Included in the accrued liabilities is the accrued sale rebates of RMB 7,814,000 (2010 – RMB 31,340,000) for rebate to be given to distributors who meet certain sales targets.

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

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Hong Kong dollar	**286**	74	**897**	9,874
Renminbi	**2,544**	9,951	**21,396**	55,363
Singapore dollar	**2,269**	2,477	**2,269**	2,477
	5,099	12,502	**24,562**	67,714

22 Bank borrowings

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Bank borrowings (secured)	**–**	–	**80,000**	35,000

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

(i) bank borrowings of RMB 40m are secured by the assets of the Group's subsidiaries and guaranteed by a director;

(ii) bank borrowing of RMB 15m is secured by the mortgage of a land use rights (Note 4) and a factory building (Note 6) of a subsidiary; and

(iii) bank borrowing of RMB 25m is secured by the pledge of account receivable worth RMB 28,617,000 of a subsidiary (Note 11).

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

	The Company		The Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
At effective interest rate of 3.17 % per annum (2010 - 5.23% per annum)	**–**	–	**80,000**	35,000

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

23 Selling and distribution costs

The Group	31 December 2011 RMB'000	31 December 2010 RMB'000
Salaries and related cost	**3,994**	4,576
Advertisement	**56,788**	44,021
Sale rebate	**11,740**	11,340
Depreciation of outlet fixtures	**15,694**	6,543
Product sales tax supplement	**4,194**	733
Others	**7,971**	10,186
	100,381	77,399

24 Finance costs

The Group	31 December 2011 RMB'000	31 December 2010 RMB'000
Interest charges on bank borrowings	**4,449**	1,427

25 Profit before taxation

The Group	Note	31 December 2011 RMB'000	31 December 2010 RMB'000
Profit before taxation is arrived at after charging/(crediting):			
Amortisation of land use rights	4	**363**	288
Amortisation of intangible assets	5	**45**	87
Depreciation of property, plant and equipment	6	**22,590**	14,240
Property, plant and equipment written off	6	**421**	–
Directors' fees - directors of the Company		**2,367**	2,203
Exchange loss/(gain)		**2,427**	(300)
Minimum lease payments under operating leases		**1,200**	2,460
Research expenses		**2,525**	3,565

25 Profit before taxation (Cont'd)

Staff Costs

Directors' remuneration other than fee		
- directors of the Company	**–**	123
- retirement scheme contribution	**–**	20
Key management personnel		
- salaries, wages and related costs	**1,296**	1,448
- retirement scheme contribution	**100**	89
Other than key management personnel		
- salaries, wages and related costs	**35,307**	34,007
- retirement scheme contribution	**12,499**	12,142
	49,202	47,829

26 Taxation

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

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Current taxation	**20,335**	24,083
Under provision of current taxation with respect to prior year	**–**	2,748
Deferred tax asset (Note 19)	**(5,000)**	–
Deferred tax liability on withholding tax (Note 19)	**–**	7,377
	15,335	34,208

26 Taxation (Cont'd)

The Group	31 December 2011 RMB'000	31 December 2010 RMB'000
Profit before taxation	**65,855**	100,502
Tax at statutory rate of 25% (2010 – 25%)	**16,464**	25,125
Under provision of taxation with respect to prior year	**–**	2,748
Deferred tax liability on withholding tax (Note 19)	**–**	7,377
Tax effect of allowance given by tax jurisdiction	**(4,033)**	(3,327)
Tax effect on non-deductible expenses	**2,904**	2,285
	15,335	34,208

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"). 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.

27 Other comprehensive income after tax

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

The Group	RMB'000 Before tax	RMB'000 Tax expenses	RMB'000 Net of tax
31 December 2011			
Currency translation differences	**980**	**–**	**980**
31 December 2010			
Currency translation differences	3,328	–	3,328

28 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 961,841,000 shares (2010 – 953,906,000 shares) during the financial year. There is no potential dilution on earning for the relevant financial years.

29 Dividends

The Company and The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Final dividend paid in respect of the previous financial year of RMB 0.0065 (2010 – RMB Nil) per share	**6,254**	–

At the Annual General Meeting held on 28 April 2011, a final tax-exempt (one-tier) dividend of RMB 0.0065 per ordinary share amounting to RMB 6,254,000 was declared and approved. These dividends declared are accounted for as reductions in equity as a distribution of retained profits in the financial year ended 31 December 2011.

30 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties and on negotiated rates:

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Entrance fees of intellectual property contract to subsidiary director	**5,000**	–
Royalties fee on intellectual property contract paid to subsidiary director	**1,080**	–

31 Commitments

(a) Operating leases commitments

The total future minimum lease payments of the Group under non-cancellable operating leases are as follows:

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Within one year	**7,457**	1,835
In the second to fifth years	**–**	960
	7,457	2,795

The leases on the Group's office and hostel, factory premises, website maintenance, YELI brand e-commerce operation and e-commerce operation maintenance on which rentals are payable will expire on 30 September 2012, 31 December 2012, 31 March 2012 and 30 June 2012, subject to an option to renew, and the current rent payable on the leases are RMB 80,000, RMB 80,000, RMB 143,000, RMB 929,000 and RMB 427,000 per month respectively which are subject to revision on renewal.

(b) Capital expenditure

The Group	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Capital expenditure contracted but not provided for:		
- construction of factory and office complex	**23,196**	51,396
- construction of outlet fixtures	**–**	40,389

32 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.

32 Operating segments (Cont'd)

The segment information provided to the management for the reportable segments for the financial year from 1 January 2011 to 31 December 2011 is as follows:

	Footwear		Apparel and Accessories		Total	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment Revenue	**627,824**	844,397	**285,305**	378,581	**913,129**	1,222,978
Segment Results	**75,350**	76,179	**80,301**	101,448	**155,651**	177,627
Interest income	**3,116**	2,347	**1,416**	899	**4,532**	3,246
Unallocated other income					**1,382**	300
Unallocated expenses					**(91,261)**	(79,245)
Finance cost					**(4,449)**	(1,426)
Operating profit					**65,855**	100,502
Income taxes					**(15,335)**	(34,208)
Net profit					**50,520**	66,294
Segment assets	**392,938**	364,779	**94,532**	83,640	**487,470**	448,419
Segment liabilities	**(127,481)**	(192,858)	**(57,932)**	(73,833)	**(185,413)**	(266,691)
Other information						
Capital expenditures:						
- Property, plant and equipment	**(57,071)**	(136)	**(25,936)**	(52)	**(83,007)**	(186)
- Land use rights	**(10,313)**	(15,000)	**(4,687)**	–	**(15,000)**	(15,000)
Sale rebate	**(8,072)**	(8,201)	**(3,668)**	(3,139)	**(11,740)**	(11,340)
Depreciation	**(17,686)**	(12,423)	**(4,904)**	(1,217)	**(22,590)**	(14,240)
Amortisation of land use rights and intangibles	**(394)**	(351)	**(14)**	(24)	**(408)**	(375)
Property, plant and equipment written off	**(289)**	–	**(132)**	–	**(421)**	–
Intangible assets written off	**(69)**	–	**(32)**	–	**(101)**	–

32 Operating segments (Cont'd)

	2011	2010
	RMB'000	RMB'000
Reported segment assets are reconciled to total assets as follows:		
Segment assets	**487,470**	448,419
Cash and bank balances	**828,438**	924,004
Pledged fixed deposits	**39,980**	23,975
Total assets	**1,355,888**	1,396,398
Reported segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**185,413**	266,691
Provision for income tax	**763**	5,015
Deferred tax liability	**7,377**	7,377
Total liabilities	**193,553**	279,083

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

33 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 2011, the Group's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables (excluding advance to suppliers prepayments and deposits), trade and bill payables, accrued liabilities and other payables, and bank borrowings.

33.1 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 2011, 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.

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

33.1 Foreign currency risk (cont'd)

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

The Group	**As at 31 December 2011 RMB'000**	As at 31 December 2010 RMB'000
Bank deposits denominated in Singapore dollar	**18,415**	71,925

Sensitivity analysis for foreign currency risk

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 2011 RMB'000		As at 31 December 2010 RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5% (2010 - 5%)	**+921**	**+921**	+3,596	+3,596
	- weakened 5% (2010 - 5%)	**-921**	**-921**	-3,596	-3,596

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

33.2 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.

In respect of interest-bearing financial assets and financial liabilities, the following table indicates their effective interest rates at end of the reporting period and the periods in which they reprice or mature, whichever is earlier:

The Group

2011	Note	**Effective interest rate**	**Total**	**Less than 1 year**	**1 to 5 years**
		%	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets					
Pledged fixed deposits	14	0.91	**39,908**	**39,980**	–
Financial liabilities					
Bank borrowings	22	3.17	**80,000**	**80,000**	–

2010	Note	Effective interest rate	Total	Less than 1 year	1 to 5 years
		%	RMB'000	RMB'000	RMB'000
Financial assets					
Pledged fixed deposits	14	1.01	23,975	23,975	–
Financial liabilities					
Bank borrowings	22	5.23	35,000	35,000	–

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if Renminbi interest rate had been 25 (2010 - 25) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB 200,000 (2010 - RMB 87,500) higher or lower respectively, arising mainly as a result of lower or higher interest expense from bank borrowings.

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

33.3 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.

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.

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

33.4 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 2011	
Trade, bills and other payables	**105,413**
Bank borrowings	**80,000**
	185,413
At 31 December 2010	
Trade, bills and other payables	200,351
Bank borrowings	35,000
	235,351

The Company	**Less than 1 year RMB'000**
At 31 December 2011	
Trade and other payables	**28,250**
At 31 December 2010	
Trade and other payables	34,716

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

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

33.5 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.

34 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;

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

(d) To provide an adequate return to shareholders.

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 bank balances. Adjusted capital comprises all components of equity and the above mentioned restricted statutory reserve fund.

34 Capital management (Cont'd)

The Group's net debt to equity ratio as at 31 December 2011 and 2010 are as follows:

The Group	**2011 RMB'000**	2010 RMB'000
Total debt	**154,460**	82,950
Less: Cash and bank balances	**(828,438)**	(924,004)
Net cash	**(673,978)**	(841,054)
Total equity	**1,159,374**	1,117,315
Less: Statutory reserve	**(84,409)**	(78,271)
Adjusted capital	**1,074,965**	1,039,044
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.

35 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.

36 Event after reporting date

No item, transaction or event of a material or unusual nature as arisen in the interval between 31 December 2011 and the date of the report from the independent auditor.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

AUTHORISED SHARE CAPITAL	:	HK$500,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	HK$38,485,000
CLASS OF EQUITY SECURITIES	:	ORDINARY SHARES
NUMBER OF EQUITY SECURITIES	:	962,125,000 ORDINARY SHARES OF HK$0.04 EACH
VOTING RIGHTS	:	ONE VOTE PER SHARE (EXCLUDING TREASURY SHARES)
TREASURY SHARES	:	587,000 (0.06% OF THE TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES)

ANALYSIS OF SHAREHOLDINGS AS AT 16 MARCH 2012

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 – 999	169	3.23	74,115	0.01
1,000 – 10,000	1,004	19.18	6,412,347	0.67
10,001 – 1,000,000	4,013	76.66	352,849,339	36.67
1,000,001 & ABOVE	49	0.93	602,789,199	62.65
TOTAL:	5,235	100.00	962,125,000	100.00

SUBSTANTIAL SHAREHOLDERS

(Based on the notice of change of interests by Substantial Shareholders to the Company)

	Direct Interest	%	Deemed Interest	%
Lin Shaoxiong[1]	282,500,000	29.38	–	–
Orkla ASA	57,362,469	5.97	–	–

The percentage of shareholding above is computed based on the total issued hsares of 961,538,000 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.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2012

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1	UOB Kay Hian Pte Ltd	351,322,500	36.52
2	HSBC (Singapore) Nominees Pte Ltd	58,878,462	6.12
3	Phillip Securities Pte Ltd	28,803,322	2.99
4	OCBC Securities Private Ltd	22,867,950	2.38
5	DBS Vickers Securities (S) Pte Ltd	20,209,000	2.10
6	DBS Nominees Pte Ltd	6,809,965	0.71
7	Ling Hua Ee	6,500,000	0.68
8	Maybank Kim Eng Securities Pte Ltd	6,458,000	0.67
9	Hong Leong Finance Nominees Pte Ltd	6,158,000	0.64
10	Tan Poh Ghee	5,649,000	0.59
11	Woon Wee Yim	5,150,000	0.54
12	Tay Ah Kee	5,000,000	0.52
13	Tan Chuan Heong	4,632,000	0.48
14	Citibank Nominees Singapore Pte Ltd	4,272,000	0.44
15	Lim & Tan Securities Pte Ltd	4,084,500	0.42
16	Neo Meng Hwa	4,025,000	0.42
17	Wee Kam Siak @ Julian Wee Kam Siak	3,380,000	0.35
18	CIMB Securities (Singapore) Pte Ltd	3,130,500	0.32
19	Low See Leong	2,700,000	0.28
20	Au Ann Teck	2,637,000	0.27
		552,667,199	57.44

PUBLICLY HELD SHARES

Based on information available to the Company as at 16 March 2012, approximately 64.64% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Sindora, Level 2, Crowne Plaza Changi Airport, 75 Airport Boulevard, Singapore 819664 on Monday, 30 April 2012 at 9 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 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Bye-law 86(1) of the Bye-laws of the Company.

   Mr Lin Shaoxiong **(Resolution 2)**
   Ms Lai Chin Yee **(Resolution 3)**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$158,000 for the year ended 31 December 2011 (2010: S$158,000). **(Resolution 4)**

4. To re-appoint Messrs Foo Kon Tan Grant Thornton LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. 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:

6. **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)

7. **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)

By Order of the Board

Nicole Tan Siew Ping
Company Secretary

Singapore
12 April 2012

Explanatory Notes:

(i) Ms Lai Chin Yee will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and will be considered independent.

(ii) The Ordinary Resolution 6 in item 6 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.

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