SHOWTIME

Annual report 2009

YELI

CHINA SPORTS INTERNATIONAL LIMITED

CONTENTS

ABOUT US

China Sports International Limited is principally 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 second, third and fourth tier cities in the PRC. The Group is also the master distributor for FIFA collections in the PRC.


YELI FASHION


CASUAL SHOE
2010 SPRING & SUMMER PRODUCT HANDBOOK

A strong passion for any object will ensure success, for the desire of the end will point out the means

------ *By William Hazlitt*

SHOWING PASSION

CHAIRMAN'S STATEMENT

"Financial Year 2009 was an eventful and challenging year. While the Chinese government's economic stimulus measures launched in 2008 stabilised China's economy and boosted business sentiment, consumer sentiment was subdued and competition was keen in the sportswear industry. In spite of that, we are pleased to see that our continued marketing efforts in boosting YELI brand value has lifted sales across the board for our own YELI branded products."

DEAR SHAREHOLDERS,

Financial Year 2009 was an eventful and challenging year. While the Chinese government's economic stimulus measures launched in 2008 stabilised China's economy and boosted business sentiment, consumer sentiment was subdued and competition was keen in the sportswear industry. This resulted in pressure on selling prices for our footwear products and lower profit margins. In spite of that, we are pleased to see that our continued marketing efforts in boosting YELI brand value has lifted sales across the board for our own YELI branded products.

FY09 HIGHLIGHTS

For Financial Year 2009, Group revenue increased by 2.4% to a record high of RMB 1.90 billion compared to RMB 1.86 billion in FY08. Net profit after tax for the year in review was RMB 122.60 million, a 33.7% decrease from RMB 184.94 million in FY08. Earnings per share for the year was 16.94 RMB cents while Net asset value per share as at 31 December 2009 was 112.39 RMB cents.

In FY09, we drove revenue growth through the upgrade and establishment of more specialty stores, the increase in sales of YELI apparel and the launch of YELI accessories in August 2008. In line with our marketing strategy to improve the mix of our points of sale, we have been reducing the number of shops-in-shops while opening more specialty stores. As such, the distribution network for our YELI products in China decreased by approximately 13% from over 2,260 points of sale as at 31 December 2008 to over 1,975 points of sale as at 31 December 2009. The number of specialty stores increased by 45% from over 400 to over 580.

With keen competition and weak consumer demand during the past year, we faced pricing pressure. Our largest footwear business line, YELI footwear, saw a decline in average selling price as we had to lower our prices to enable our distributors to capture greater market share. As a result, revenue for YELI footwear increased marginally from RMB 1.11 billion in FY08 to RMB 1.12 billion in FY09.

YELI footwear continued to comprise the largest segment or 74.1% of our footwear business line during the year. The remaining 25.9% was due to sales of OEM footwear. As a whole, the footwear business line was our largest, comprising 79.1% of overall group revenue. Apparel made up 20.2% while accessories composed the remaining 0.7%.

With competitive pressure on our largest business line, YELI footwear, group gross profits declined by 24.7% from RMB 386.25 million in FY08 to RMB 290.82 million in FY09. Group gross profit margin fell from 20.8% to 15.3% year-on-year. YELI apparel's gross profit margin improved slightly, by 1.2% year-on-year. This was due to the sale of higher quality products driven by enhanced research and development. Gross profit margin for YELI accessories was low mainly because of initial set-up and development charges for this new business line.

BUILDING BRAND EQUITY

We believe our business model principally as a designer, manufacturer and merchandiser of our own brand of sports fashion wear is sound and our marketing strategies are solid. No doubt, building brand equity will require significant commitment of time and effort. But we are making inroads, signing up popular music group Fahrenheit as our spokespersons in February 2009 and launching more specialty stores, most of which are located on street level and have larger display areas for our expanding product range. These stores will further profile and build our brand in the right way, enabling long-term value generation.

On 7 January 2010, we signed an agreement to become the authorised master distributor of Fédération Internationale de Football Association (FIFA) collections throughout China. The marketing of FIFA sports and lifestyle products is consistent with our Group's strategy to expand our footprint in China sports fashion market. It will strengthen our product offering and enable our Group to establish a presence in the mid-to-high end sports fashion market. If successful, this will provide an additional source of income for our Group in future.

China Sports will roll out FIFA Modular Stores in China over the next three years to market the FIFA collections. These Modular Stores will be located mainly in China Sports' existing YELI specialty stores. FIFA Official Event Stores will also be established near or within YELI stores to capitalise on the upcoming FIFA World Cup in June 2010 in South Africa.

FUNDING GROWTH

In January 2010, our Group completed a placement of 120,000,000 new ordinary shares at the placement price of S$0.18 ("Placement"). The net proceeds of approximately S$20.5 million from the Placement will be used to fund the expansion of the distribution network for FIFA related products such as the provision of renovation subsidies for setting up FIFA Modular Stores and Official Event Stores in China as well as FIFA-related advertising and promotion activities.

Earlier in September 2009, we raised approximately S$16.1 million through a rights issue of 168,425,000 ordinary shares at an issue price of S$0.10 each on the basis of one rights share for every four existing ordinary shares ("Rights Issue"). Part of the proceeds amounting to approximately S$15.0 million has been injected into our wholly-owned subsidiary in China, Yeli Sports (China) Co., Ltd ("Yeli China") to meet its capital injection deadline of 13 December 2009.

As a qualified wholly-owned foreign enterprise ("WOFE") incorporated before 16 March 2007, Yeli China will be entitled to tax exemption for its first two profit making years and entitled to a 50% reduction in its income tax payable for the following three years under the applicable foreign enterprise tax law.

Aside from tax benefits, the proceeds from the rights issue will be used to upgrade and expand our distribution network, fund the advertising and promotion activities for YELI brand and for general working capital. These capital raising exercises will strengthen our financial position as we expand.

OUTLOOK

Although China's economy has gradually recovered since the implementation of the stimulus package, market conditions are expected to remain challenging in the near term due to potential credit tightening measures by the authorities and increasing competition. This may continue to affect demand for consumer products and exert pressure on our selling prices and profit margins.

Our Group however remains optimistic about the long-term growth potential of the sportswear market in China. To maintain our competitive edge and to better position our Group for market recovery, we will continue to focus on our Group's strategy of product development, strengthening our YELI brand value through A&P activities and expanding and upgrading our distribution network in the second, third and fourth-tier cities in China.

Regardless of the operating environment, we remain committed to certain large-scale projects that will lay the foundation for future growth. Leveraging on our strong financial position, with cash and bank balances at financial year-end of RMB 901.88 million, we intend to acquire a plot of land in Fujian Province to develop a new manufacturing facility. Costing between RMB 150 million and RMB 180 million, it will take about 2 to 3 years to build. We also intend to construct a new RMB 30 million multiplex within our existing factory to showcase YELI and FIFA products.

At China Sports, while we remain nimble to manage the dynamics of the consumer market, we believe in long-term planning to position ourselves advantageously for the future.

APPRECIATION

I would like to extend my gratitude to my fellow directors, shareholders, management and staff for their effort, advice and trust. With your faith and support, we will continue to execute with confidence our expansion plans in the coming year.

LIN SHAOXIONG
Chairman & CEO

DISTRIBUTION NETWORK

Network in PRC

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

GLOBAL NETWORK

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

OPERATIONS REVIEW

REVENUE

For 4Q09, our Group recorded revenue of approximately RMB 397.3 million, a decrease of approximately RMB 107.8 million or 21.4% over revenue of approximately RMB 505.1 million for the previous corresponding period ("4Q 08"). For FY2009, revenue increased by approximately RMB 45.1 million or 2.4% to RMB 1,904.8 million from RMB 1,859.7 million in the previous year ("FY2008").

The increase in revenue in FY2009 was mainly attributable to:
(i) the upgrade and opening of more of our specialty stores;
(ii) the increase in sales of YELI apparel; and
(iii) the launch of YELI accessories in August 2008.

In FY2009, footwear products recorded approximately RMB 1,506.3 million in sales,representing a slight increase of approximately RMB 2.7 million or 0.2% over sales of footwear products of approximately RMB 1,503.6 million for FY2008. The increase was due mainly to the successful implementation of our Group's strategy to build up awareness and enhance our YELI brand value. The proportion of YELI footwear revenue over total footwear revenue had increased slightly to 74.1% in FY2009 from 73.8% in FY2008. As a result of the intense competition and weak consumer demand, our Group lowered its average selling price for our YELI footwear product to enable our distributors to capture greater market share. These resulted in a slight increase in the revenue growth in YELI footwear products.

In FY2009, our YELI apparel sales was approximately RMB 385.2 million which represented approximately 25.4% and 20.2% of our YELI revenue and our total revenue respectively as compared to approximately 23.8% and 18.7% of our YELI revenue and our total revenue in FY2008. In FY2009, our YELI accessories sales was approximately RMB 13.3 million which represented 0.9% and 0.7% of our YELI revenue and our total revenue in FY2009 respectively as compared to only approximately 0.5% and 0.4% of our YELI revenue and our total revenue in FY2008.

In 4Q09, our Group recorded total footwear revenue of approximately RMB 319.6 million, representing a decrease of approximately RMB 80.5 million or 20.1% over revenue of approximately RMB 400.1 million in 4Q08. The decrease was mainly due to weaker consumer demand which resulted in our Group decreasing our average selling price to enable our distributors to capture greater market share under the challenging retail market conditions and the weaker consumer demand in 4Q09.

In 4Q09, our Group recorded YELI footwear revenue of approximately RMB 212.6 million, representing a decrease of approximately RMB 51.8 million or 19.6% over revenue of approximately RMB 264.4 million for 4Q08. The decrease in YELI footwear revenue is due mainly to the decrease in average selling price to enable our distributors to capture greater market share under the challenging retail market conditions and the weaker consumer demand in 4Q09. In 4Q09, our Group recorded OEM footwear revenue of approximately RMB 107.0 million, a decrease of approximately RMB 28.7 million or 21.1% over revenue of approximately RMB 135.7 million for 4Q08.

In 4Q09 the weaker consumer demand also affected demand for YELI apparel and YELI accessories. In 4Q09, our Group recorded apparel revenue of approximately RMB 73.8 million, a decrease of approximately RMB 27.6 million or 27.2% over revenue of approximately RMB 101.4 million in 4Q08. Our Group recorded accessories revenue of approximately RMB 3.9 million in 4Q09, a slight increase of approximately RMB 0.3 million or 8.3% over revenue of approximately RMB 3.6 million in 4Q08.

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

	FY2009	FY2008	Growth
Points of sale	Over 1,975*	Over 2,260*	(13)%
YELI specialty stores	Over 580	Over 400	45%

* The above numbers for points of sale were compiled by aggregating the number of sales outlets provided to us by each of our distributors. The numbers of points of sale include YELI specialty stores.

The distribution network for our YELI products in the PRC decreased by approximately 13% from over 2,260 points of sale as at 31 December 2008 to over 1,975 points of sale as at 31 December 2009. Over the same period, the number of specialty stores increased by 45% from over 400 to over 580. Our Group continued to execute our strategy to improve the mix of our points of sale, by reducing the number of shops-in-shops while adding more specialty stores. This is because specialty stores are mostly located at street level and have larger display areas to carry a wider range of YELI products. With the increasing number of YELI specialty stores, we were able to expand the varieties of YELI products sold to our target consumers.

COST OF GOODS SOLDS

In line with the increase in revenue, our cost of sales increased by approximately RMB 140.5 million or 9.5% from approximately RMB 1,473.5 million in FY2008 to approximately RMB 1,614.0 million in FY2009.

The subcontracting cost (including raw materials) of the footwear products, apparel and accessories decreased slightly by approximately RMB 63.9 million or 9.8% from approximately RMB 650.0 million in FY2008 to approximately RMB 586.1 million in FY2009. The decrease was mainly due to more footwear production being shifted back from subcontractors to our Group for better quality control.

In 4Q09, in line with the lower revenue when compared to 4Q08, our cost of sales decreased by approximately RMB 76.0 million or 18.0% from approximately RMB 422.5 million in 4Q08 to approximately RMB 346.5 million in 4Q09.

The subcontracting cost (including raw materials) of the footwear, apparel and accessories products decreased by approximately RMB 38.0 million or 24.9% from approximately RMB 152.9 million in 4Q08 to approximately RMB 114.9 million in 4Q09. The decrease was mainly due to more of the production of footwear products being shifted back from subcontractors to our Group for better quality control.

Our gross profit decreased by approximately RMB 95.5 million or 24.7% from approximately RMB 386.3 million in FY2008 to approximately RMB 290.8 million in FY2009. Our gross profit margin decreased from approximately 20.8% in FY2008 to 15.3% in FY2009. Our gross profit decreased by approximately RMB 31.8 million or 38.5% from approximately RMB 82.6 million in 4Q08 to approximately RMB 50.8 million in 4Q09. Our gross profit margin decreased from approximately 16.4% in 4Q08 to 12.8% in 4Q09. The decrease of the gross profit margin of our YELI footwear products were mainly attributable to the decrease of the average selling price of our footwear products to maintain competitive pricing for our distributors to capture greater market share for our YELI products. The gross profit margin of YELI apparel has improved in FY2009 when compared to FY2008 while it had slightly decreased in 4Q09 when compared to 4Q08. The pickup of the gross profit margin in FY2009 is the result of our Group's continuous efforts on research and development on our YELI apparel. The low gross profit contributed by our YELI accessories was due mainly to high overheads arising from the initial setup and development cost incurred for this new range of product. The gross profit margin for our YELI accessories is expected to improve upon achieving optimum sales quantities.

OTHER OPERATING INCOME

Other operating income comprised of interest income from bank deposits. The decrease in other operating income in FY2009 is mainly due to lower interest rate as compared to FY2008. The increase of other operating income in 4Q09 as compared to 4Q08 is mainly attributed to more interest income derived from higher bank balances.

OPERATING EXPENSES

In total, operating expenses which comprise selling and distribution expenses and administrative expenses decreased by approximately RMB 5.1 million or 3.7% from approximately RMB 138.3 million in FY2008 to approximately RMB 133.2 million in FY2009. As a percentage of revenue, operating expenses decreased to approximately 6.9% in FY2009 from approximately 7.4% in FY2008.

In FY2009, the selling and distribution expenses was comparable with FY2008. In 4Q09, the selling and distribution expenses increased by approximately RMB 2.4 million or 5.9% from approximately RMB 41.4 million in 4Q08 to approximately RMB 39.0 million in 4Q09. The increase was mainly due to the provision of rebate to encourage the distributors for attaining the point-of-sales targets which was partly offset by our Group reserving more resources for TV advertisements for the coming Chinese New Year.

In FY2009, the administrative expenses increased by approximately RMB 3.1 million or 16.5% from approximately RMB 18.3 million in FY2008 to approximately RMB 21.4 million in FY2009. The increase was mainly due to net currency translation loss registered and higher professional fees incurred for the rights issue exercise and the soliciting of the Fédération Internationale de Football Association ("FIFA") brand master distribution rights for China. The increase was partly offset by no performance bonus declared to our executive directors in FY2009 as the Group's profit before taxation reported in the current financial year was lower than the amount as stated in their service agreements for the entitlement of bonus.

OPERATIONS REVIEW

No other operating expenses incurred in FY2009 as compared to FY2008. This was mainly attributed to no intangible assets written off.

FINANCE COSTS

Finance costs in FY2009 increased by approximately RMB 0.5 million or 51.8% from approximately RMB 0.9 million in FY2008 to approximately RMB 1.4 million in FY2009. The increase was due mainly to a higher amount of outstanding bank loan in FY2009 as compared to FY2008.

INCOME TAX

Income tax expense decreased by approximately RMB 27.7 million or 42.5% from approximately RMB 65.3 million in FY2008 to approximately RMB 37.6 million in FY2009. The decrease was due mainly to the decrease in profit before tax in FY2009. The effective tax rate of 23.5% in FY2009 was 2.6% lower than FY2008. This was the result of the expenses incurred outside PRC, which are non-deductible for income tax, being lower compared to the corresponding period in FY2008. In addition, Yeli China is entitled to tax savings under the applicable foreign enterprise tax law after completing the capital injection requirement in 3Q09 which resulted in the lower effective tax rate for 4Q09 and FY2009 as compared to the corresponding periods.

NON CURRENT ASSETS

Net book value of property, plant and equipment decreased by approximately RMB 26.9 million from approximately RMB 106.2 million as at 31 December 2008 to approximately RMB 79.3 million as at 31 December 2009. This was mainly attributed to the depreciation of the property, plant and equipment which was partly offset by the purchase of outlet fixtures for the use of the specialty stores.

Land use rights and intangible assets as at 31 December 2009 were about the level as at 31 December 2008. This was mainly attributed to the increase in intangible assets offsetting the amortisation of land use rights, patent and other intangible assets.

CURRENT ASSETS

Inventories, comprised mainly raw materials, decreased by approximately RMB 0.7 million from approximately RMB 26.2 million as at 31 December 2008 to approximately RMB 25.5 million as at 31 December 2009. The level of the inventories at 31 December 2009 were comparable to 31 December 2008.

Trade receivables decreased from approximately RMB 281.2 million as at 31 December 2008 to approximately RMB 163.7 million as at 31 December 2009. The decrease in balances was mainly due to our Group's effort in collection from the customers.

Other receivables and prepayment increased from approximately RMB 9.5 million as at 31 December 2008 to approximately RMB 27.0 million. The increase in balances was mainly due to the advance deposit paid to a supplier to get more favourable prices on our raw materials and a tax recoverable of RMB 5 million for the accrual of rebate to the distributors.

As at 31 December 2009, we had cash and cash equivalents of approximately RMB 897.2 million and pledged fixed deposit RMB 4.7 million. The increase in cash and cash equivalents was due mainly to the net cash generated from operating activities.

The cash and cash equivalents were mainly bank deposits denominated in RMB. As at 31 December 2009, we have not entered into any financial derivative arrangements because our operations are mainly in PRC and the main operational currency is RMB.

CURRENT LIABILITIES

Trade payables and bills payables increased from approximately RMB 107.3 million as at 31 December 2008 to approximately RMB 146.4 million as at 31 December 2009. Our Group is getting more favourable terms of payment from suppliers.

Accrued liabilities, provisions and other payables (including wages payables, accrued utilities expenses) increased from approximately RMB 54.6 million as at 31 December 2008 to approximately RMB 96.0 million as at 31 December 2009 where the increase is due to the provision of rebate to the distributors on successfully opening specialty stores.

The increase in the amount owing to director, Mr Lin Shaoxiong, our Executive Director and Chief Executive Officer ("CEO") of our Company, of approximately RMB 41.5 million relates to monies owing to him. It comprises his remuneration payable and a foreign currency loan provided by him to our Company to settle in full an interest bearing bank loan. This foreign currency loan had been fully repaid in January 2010.

The decrease in the amount of the bank loan as at 31 December 2009, as compared to 31 December 2008 was due to the settlement of the bank loan by our Company in 2Q09 that amounted to approximately RMB 33.9 million and the settlement of the bank loan by Hengfa in 4Q09 that amounted to approximately RMB 20.0 million. New bank borrowings of RMB 10.0 million were obtained by YELI China in 3Q09.

USE OF IPO AND RIGHTS ISSUE PROCEEDS

The following table details the utilisation of IPO proceeds up to 31 December 2009:

No.	Planned Usage	IPO Proceeds (RMB million)	Cumulative Amount used (RMB million)	Balance (RMB million)
1	Acquistion and/or construction of new manufacturing facilities, addition of new production lines and upgrading of manufacturing facilities	110.1	83	27.1
2	Advertising and promotion activities	40.0	40.0	0.0
3	Expansion of distribution network and increase of sales channel	40.0	40.0	0.0
4	Enhance product design and development efforts	30.0	29.6	0.4
5	General working capital	153.7	153.7	0.0
		373.8	**346.3**	**27.5**

The use of proceeds is in accordance with the stated use and in accordance with the percentage allocated as set out in the Company's Prospectus dated 9 July 2007.

The following table sets out the details of the utilisation of Rights Issue proceeds up to 31 December 2009:

No.	Planned Usage	Rights Issue Proceeds	Cumulative Amount used (RMB million)	Balance (RMB million)
1	Upgrading and expansion of the distribution network including opening new specialty stores, provision of renovation subsidies to our Group's distributors to upgrade premises and development of new markets	25.0	13.0	12.0
2	A&P activities to promote the "YELI" brand including print, television and webbased advertisements, sponsorship of events, other public relations activities	35.0	7.2	27.8
3	General working capital	10.8	10.8	0.0
		70.8	**31.0**	**39.8**

SHOWING FASHION

We are shaped and fashioned by what we love

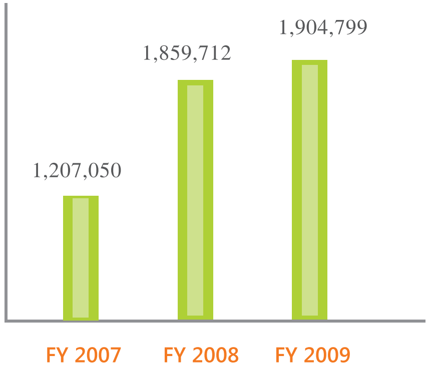
------- Johann Wolfgang von Goethe



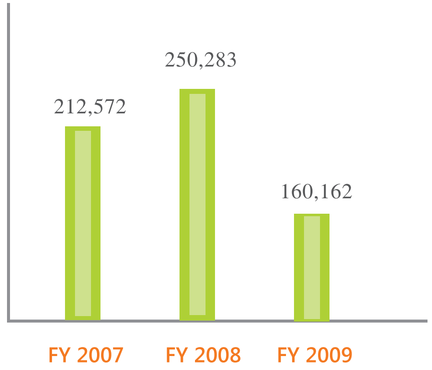



FINANCIAL HIGHLIGHTS

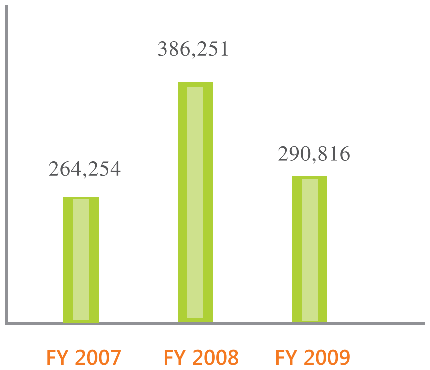
Revenue
(RMB'000)



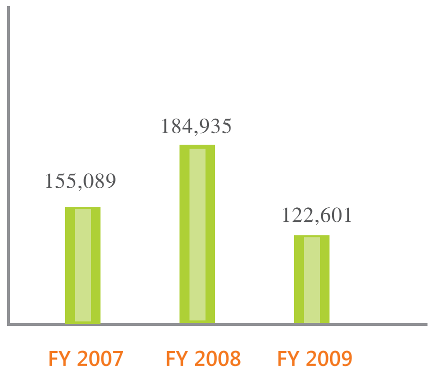
Profit Before Income Tax
(RMB'000)



Gross Profit
(RMB'000)



Profit After Income Tax
(RMB'000)



BOARD OF DIRECTORS

Mr Lin Shaoxiong (林少雄)

Executive Chairman and CEO

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

Mr Lin Shaoqin (林少钦)

Executive Director

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

Ms Lai Chin Yee (黎静仪)

Independent Director

Ms Lai was appointed as our Lead Independent Director on 4 June 2007. She has more than 20 years of experience in auditing, taxation, finance and accounting. She is currently the Finance Director of Qian Hu Corporation Limited, a company listed on the Singapore Exchange ("SGX-ST"). Prior to joining Qian Hu Corporation Limited in 2000, Ms Lai was an auditor with international 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 serves as a member of the CFO Committee of the Institute of Certified Public Accountant of Singapore since May 2009. Ms Lai is also the Lead Independent Director of Ryobi Kiso Holdings Ltd, a company listed on the SGX-ST.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountant of Singapore (FCPA).

Mr Sam Kok Yin (沈国贤)

Independent Director

Mr Sam was appointed as our Independent Director on 4 June 2007. He is also an independent director of China Zaino International Ltd, a company listed on the Singapore Exchange. Mr Sam is a co-founder of Perennial Advisory Pte Ltd, a company involved in fund management and financial consultancy. He is currently a partner at Colin Ng & Partners LLP.

Mr Sam started his career as a practising Advocate and Solicitor in 2001. Mr Sam was a Director, and also headed the China Practice, at Yeo Wee Kiong Law Corporation until March 2007. In 2004, he was appointed as a Singapore-China Young Business Ambassador as part of a program organised by the Singapore International Foundation. He holds an honours degree in law from the National University of Singapore.

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.

KEY MANAGEMENT

Mr Alex Chan Chiu Hung (陈钊洪)

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

Mr Kang Weisheng (康为胜)

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

Mr Fu Chengzhong (傅成忠)

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

Mr Zhong Xing Gui (钟兴贵)

Mr Zhong joined as our Human Resource Manager in February 2010. He is responsible for planning, directing and coordinating human resource management activities within the Company and its subsidiaries and maintaining functions such as employee recruitment, compensation, personnel policies and regulatory compliance. Prior to that, he was a consultant with the human resource department of our subsidiary, Hengfa (Fujian) Light Industry Development Co., Ltd. From 2000 to 2005, he was the management staff of the Human Resource Department of Xiamen Chankun Industry Holdings Limited Company. Thereafter, he joined Xiamen Huierkang Food Group as Human Resource Supervisor. From September 2007 to October 2008, he joined Aimark Service Industry (China) Limited Company as Regional Human Resource Manager. From November 2008 to March 2009, he worked as Human Resource Manager of Bai Xiang Group.

Mr Xie Liangcheng (谢良成)

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

CORPORATE GOVERNANCE REPORT

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

		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	28 April 2008	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	28 April 2008	N.A.
Mr Sam Kok Yin	(Independent Director)	4 June 2007	28 April 2008	N.A.

The detailed profiles of the Directors are set out on page 14 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The Board's role is to:

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

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

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisition and disposal, corporate or financial restructuring, mergers and acquisitions, share issuance, dividends policy 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) (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 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

CORPORATE GOVERNANCE REPORT

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

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Meetings	Meetings	Meetings	Meetings	Meetings	Meetings	Meetings	Meetings
Name	held	attended	held	attended	held	attended	held	attended
Mr Lin Shaoxiong	8	8	5	5*	3	2*	3	3*
Mr Lin Shaoqin	8	2	5	-	3	-	3	1*
Ms Lai Chin Yee	8	8	5	5	3	3	3	3
Mr Tham Hock Chee	8	8	5	5	3	3	3	3
Mr Sam Kok Yin	8	8	5	5	3	3	3	3

* 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, legal, 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 financial year 2009 is based on the Code's definition of what constitutes an Independent Director. With three of the Directors deemed to be independent, the NC is of the view that the Board is able to exercise objective judgment on corporate affairs and provide the Management with a diverse and objective perspective on issue, 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 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 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

CORPORATE GOVERNANCE REPORT

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 non-executive Directors help to develop proposals on strategy. The non-executive 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 functionsof the management of China Sports' business. The Board sets broad business guidelines, approves financial objectives and business strategies monitors the standards of executive management performance on a periodic basis.

CG Guidelines 3.1, 3.2 and 3.3

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

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

CG Guideline 3.2

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

- to schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- to prepare meeting agenda;
- to exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- to assist in ensuring compliance with the Group's guidelines on corporate governance; and
- to monitor communications and relations between the Company and its Shareholders, between the Board and Management, and between executive and non-executive Directors and independent and non-independent Directors, with a view to encouraging constructive relations and dialogue amongst them.

CORPORATE GOVERNANCE REPORT

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 Sam Kok Yin (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 last financial year ended 31 December 2009. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company. CG Guideline 4.1

The NC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments. CG Guideline 4.1

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 requisite qualifications and competency and whether or not he is independent and in the case of a re-nomination, to his 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 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;

CORPORATE GOVERNANCE REPORT

- 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 duties as a Director, particularly when he 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 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. CG Guideline 4.5

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

The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his 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 Sam Kok Yin, Mr Tham Hock Chee and Ms Lai Chin Yee. CG Guideline 4.3

CORPORATE GOVERNANCE REPORT

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 Guideline 5.1 and 5.2

Principle 6: In order to fulfil 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 Secretaries 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 Secretaries or their representatives attend all Board meetings and meetings of the Audit, Nominating and Remuneration Committees. The Company Secretaries 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 Guideline 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 their duties and responsibilities as Directors. 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 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, the Directors or any of the Controlling Shareholders or their Associates) and latest corporate developments.

CG Guideline10.2

CORPORATE GOVERNANCE REPORT

(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 Sam Kok Yin
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/those reporting directly to the Chairman/CEO of the Group/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 and Directors. CG Guideline 7.2

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

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

The RC meets at least once annually and had full attendance by its committee members during the last financial year ended 31 December 2009. 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 remuneration package.

CORPORATE GOVERNANCE REPORT

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 Committee 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 Annual General Meetings.

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 Guideline 8.3
Commentary 8.6

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

CG Guideline 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	93	4	3	–	100
Lai Chin Yee	–	–	–	100	100
Tham Hock Chee	–	–	–	100	100
Sam Kok Yin	–	–	–	100	100
Key Executives	**Salary %**	**Bonus %**	**Benefits %**	**Director Fees %**	**Total %**
Below $250,000					
Alex Chan Chiu Hung	92	8	–	–	100
Kang Weisheng	53	26	21	–	100
Xu Tianhui (appointed on 15 January 2008 and resigned on 30 January 2010)	54	25	21	–	100
Xie Liangchen (promoted on 30 December 2008)	54	25	21	–	100
Fu Chengzhong	53	26	21	–	100

Immediate family members of Directors or CEO

CG Guideline 9.3

There are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S$150,000 during FY2009.

The Group does not have any employee share option schemes.

(C) ACCOUNTABILITY AND AUDIT

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

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. CG Guideline 10.1

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

Audit Committee

The AC comprises the following non-executive and Independent Directors: CG Guideline 11.1 and 11.8

Ms Lai Chin Yee (Chairman)
Mr Tham Hock Chee
Mr Sam Kok Yin

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members.

The AC held five meetings during the financial year. These meetings were attended by the Chief Financial Officer, the CEO and external auditors were also present at the relevant junctures during these meetings. 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 written terms of reference endorsed by the Board, setting out their duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of the Management, with full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the AC held during the financial year, the AC performed its functions and responsibilities as set out in its terms of reference, which include the following: CG Guideline 11.3

- to review with the external auditors: CG Guideline 11.4, 11.6, 11.8 and 12.1

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

CORPORATE GOVERNANCE REPORT

(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 with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The external auditor has 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;

CORPORATE GOVERNANCE REPORT

- 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 control and compliance controls, and risk management policies and systems established by the Management (collectively "the 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;

CORPORATE GOVERNANCE REPORT

- 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;
- 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 Chief Financial Officer to ensure that the Chief Financial Officer 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, 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.

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

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The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nominating of the external auditors for re-appointment. The AC has conducted an annual review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

CG Guideline 11.6 and 11.4(a)

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

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

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

CG Guideline 12.1

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

CG Guideline 13.2

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

CG Guideline 13.1

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

CG Guideline 13.3

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

CG Guideline 12.1 and 12.2

CORPORATE GOVERNANCE REPORT

(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 Guideline 14.1 and 14.2

All Shareholders will receive the annual report and notice of Annual General Meeting ("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 Audit, Remuneration and Nominating Committees will normally be present at the AGM to answer any questions relating to the work of these Committees. The external auditors will be also present at the AGM to assist the Directors in answering questions from the Shareholders.

CG Guideline 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 Conduct on Dealings in Securities 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 17 and Note 25 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 2009.

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

INTERESTED PERSON TRANSACTIONS

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

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual) for the financial year ended 31 December 2009:-

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

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

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

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

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

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

DIRECTORS' REPORT

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 2009.

Names of directors

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

Lin Shaoxiong
Lin Shaoqin
Lai Chin Yee (Lead Independent Director)
Sam Kok Yin (Independent Director)
Tham Hock Chee (Independent Director)

At the forthcoming Annual General Meeting, Lin Shaoqin and Tham Hock Chee will be retiring pursuant to Bye-law 85(6) of the Company's Bye-laws and, being eligible, offer themselves for re-election and Sam Kok Yin will be retiring but not be offering himself for re-election.

Arrangements to acquire shares or debentures

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

DIRECTORS' REPORT

Directors' interest in shares or debentures

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

	Holding registered in the name of director		Holding in which director is deemed to have an interest	
	As at 1.1.2009	As at 31.12.2009 and 21.1.2010	As at 1.1.2009	As at 31.12.2009 And 21.1.2010
	Number of ordinary shares of HK$0.04 each	Number of ordinary shares of HK$0.04 each	Number of ordinary shares of HK$0.04 each	Number of ordinary shares of HK$0.04 each
The Company – China Sports International Limited				
Lin Shaoxiong	226,000,000*	**282,500,000**	–	**–**
Tham Hock Chee	–	**150,000**	–	**–**

* For the financial year ended 31 December 2008, 226,000,000 ordinary shares of HK$0.04 each were pledged to a bank to secure a bank facility granted to the Company. The loan was fully repaid during the year (Note 19).

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are or one of whose object is to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other corporate body.

Share options

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiary. No shares were issued by virtue of the exercise of options.
There were no unissued shares under option at the end of the financial year.

Audit Committee
The Audit Committee comprises the following members:

Lai Chin Yee (Chairman)
Sam Kok Yin
Tham Hock Chee

DIRECTORS' REPORT

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 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 2009 as well as the auditors' report thereon; and

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

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

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

Independent auditors

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

On behalf of the Directors

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LIN SHAOXIONG

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LIN SHAOQIN

Dated: 6 April 2010

STATEMENT BY DIRECTORS

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 2009 and of the financial performance, 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

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LIN SHAOXIONG

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LIN SHAOQIN

Dated: 6 April 2010

INDEPENDENT AUDITOR'S REPORT

To the Members of China Sports International Limited

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 2009, 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 notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguard 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 statement of financial position and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of China Sports International Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of 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 2009 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

Henry Lim
Partner in charge of the audit
Date of appointment: Financial year ended 31 December 2009

Singapore, 6 April 2010

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 December 2009

		The Company		The Group	
		31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non–Current Assets					
Intangible assets	5	**–**	–	**2,791**	2,864
Property, plant and equipment	6	**25**	18	**79,268**	106,227
Subsidiaries	7	**510,567**	406,617	**–**	–
Deferred tax asset	8	**–**	–	**5,000**	–
		510,592	406,635	**87,059**	109,091
Current Assets					
Inventories, at cost	9	**–**	–	**25,472**	26,156
Trade and other receivables	10	**3**	–	**185,726**	290,667
Prepayments		**10**	18	**10**	18
Amount due from a subsidiary	11	**18,613**	34,001	**–**	–
Pledged fixed deposit	12	**–**	–	**4,692**	3,000
Cash and cash equivalents	13	**9,734**	4,252	**897,187**	544,597
		28,360	38,271	**1,113,087**	864,438
Total assets		**538,952**	444,906	**1,200,146**	973,529

STATEMENTS OF FINANCIAL POSITION

For the year ended 31 December 2009

	Note	The Company 31 December 2009 RMB'000	The Company 31 December 2008 RMB'000	The Group 31 December 2009 RMB'000	The Group 31 December 2008 RMB'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**32,352**	26,419	**32,352**	26,419
Reserves	15	**439,752**	376,523	**914,126**	735,948
Total equity		**472,104**	402,942	**946,478**	762,367
Current Liabilities					
Trade and bills payables	16	**–**	–	**146,371**	107,278
Accrued liabilities and other payables	17	**44,526**	8,063	**76,034**	54,613
Amount due to a subsidiary	11	**22,322**	–	**–**	–
Provisions	18	**–**	–	**20,000**	–
Interest–bearing bank borrowings	19	**–**	33,901	**10,000**	40,901
Income tax payable		**–**	–	**1,263**	8,370
		66,848	41,964	**253,668**	211,162
Total equity and liabilities		**538,952**	444,906	**1,200,146**	973,529

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 year ended 31 December 2009

	Note	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Revenue	3	**1,904,799**	1,859,712
Cost of sales		**(1,613,983)**	(1,473,461)
Gross profit		**290,816**	386,251
Other income	3	**2,879**	3,256
Selling and distribution costs	4	**(111,272)**	(113,903)
Administrative expenses		**(20,889)**	(18,341)
Other operating expenses		**–**	(6,076)
Finance costs	20	**(1,372)**	(904)
Profit before taxation	21	**160,162**	250,283
Taxation	22	**(37,564)**	(65,348)
Total profit for the year		**122,598**	184,935
Other comprehensive income after tax			
Currency translation difference		**1,610**	51
Other comprehensive income for the year, net of tax		**1,610**	51
Total comprehensive income for the year		**124,208**	184,986
Earnings per share (RMB cents)			
– Basic and diluted	23	**16.94**	27.45

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 year ended 31 December 2009

	Share capital RMB'000	Share premium (Note 15) RMB'000	Merger reserve RMB'000	Paid–in capital from exchange differences RMB'000	Currency translation reserve (Note 15) RMB'000	Statutory reserve RMB'000	Retained profits (Note 15) RMB'000	Total Equity RMB'000
Balance at 1 January 2008	26,419	390,641	801	330	(2,758)	35,833	157,442	608,708
Total comprehensive income for the year	–	–	–	–	51	–	184,935	184,986
Payment of dividends (Note 24)	–	–	–	–	–	–	(31,327)	(31,327)
Transfer to statutory reserve	–	–	–	–	–	19,604	(19,604)	–
Balance at 31 December 2008	26,419	390,641	801	330	(2,707)	55,437	291,446	762,367
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,610**	**–**	**122,598**	**124,208**
Issuance of share capital	**5,933**	**75,096**	**–**	**–**	**–**	**–**	**–**	**81,029**
Cost of Share capital issued	**–**	**(2,599)**	**–**	**–**	**–**	**–**	**–**	**(2,599)**
Payment of dividends (Note 24)	**–**	**–**	**–**	**–**	**–**	**–**	**(18,527)**	**(18,527)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**14,638**	**(14,638)**	**–**
Balance at 31 December 2009	**32,352**	**463,138**	**801**	**330**	**(1,097)**	**70,075**	**380,879**	**946,478**

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2009

	31 December 2009 RMB'000	31 December 2008 RMB'000
Cash Flows from Operating Activities		
Profit before taxation	**160,162**	250,283
Adjustments for:		
Depreciation of property, plant and equipment	**41,454**	34,150
Amortisation of intangible assets	**119**	886
Property, plant and equipment written off	**–**	893
Intangible asset written off	**–**	5,056
Interest expense	**1,372**	904
Interest income	**(2,869)**	(3,215)
Operating profit before working capital changes	**200,238**	288,957
Change in operating assets and liabilities		
– inventories	**684**	(3,847)
– trade receivables	**117,480**	(65,580)
– other receivables	**(12,531)**	(89)
– trade and bills payables	**40,540**	39,044
– other payables	**17,658**	(20,761)
Net cash generated from operations	**364,069**	237,724
Interest received	**2,869**	3,215
Interest paid	**(1,372)**	(904)
Income tax paid	**(49,671)**	(71,732)
Net cash generated from operating activities	**315,895**	168,303

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2009

	31 December 2009 RMB'000	31 December 2008 RMB'000
Cash Flows from Investing Activities		
Acquisition of intangible assets	**(46)**	(235)
Acquisition of property, plant and equipment (Note A)	**(14,495)**	(80,741)
Net cash used in investing activities	**(14,541)**	(80,976)
Cash Flows from Financing Activities		
Increase in fixed deposit pledged	**(1,692)**	(3,000)
Increase in amount owing to director	**23,763**	17,579
(Decrease) / increase in bills payable to bank	**(1,447)**	6,000
Advances from third party	**–**	17,640
Proceeds from short–term loan	**10,000**	40,901
Repayment of short–term loan	**(40,901)**	(8,560)
Proceeds from issue of shares	**81,029**	–
Issue of share expense	**(2,599)**	–
Payment of dividend	**(18,527)**	(31,327)
Net cash generated from financing activities	**49,626**	39,233
Net increase in cash and cash equivalents	**350,980**	126,560
Cash and cash equivalents at beginning of year	**544,597**	418,354
Effect of exchange rate fluctuation	**1,610**	(317)
Cash and cash equivalents at end of year (Note 13)	**897,187**	544,597

Note A:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB14,495,000 (2008 – RMB80,888,000) of which Nil (2008 – RMB147,000) remains outstanding in other payable as at year end (Note 17).

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 2009 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by directors.

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

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

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are stated in Note 7.

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 2009 are RMB 25,000 and RMB 79,268,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

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 in investment in subsidiary

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

Withholding tax on dividends

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to foreign investor by Foreign Invested Enterprises ("FIE") in the PRC, would be subject to withholding tax of 10%. The Chinese tax authorities have granted a special tax concession which states that dividends distributed out of the pre–2008 retained earnings of an FIE shall be exempted from withholding tax in 2008 and beyond. However, the FIE's profits, arising from year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax. The management has considered the above tax exposure and has not provided for deferred tax liability as at 31 December 2009 as they are of the opinion that profits accumulated from 1 January 2008 to 31 December 2009 will not be distributed in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

2(b) Interpretations and amendments to published standards effective in 2009

On 1 January 2009, 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:

FRS 1 (Revised 2008)	Presentation of Financial Statements
Amendments to FRS 1 (Revised 2008)	Amendments relating to puttable financial instruments and obligations arising on liquidation
FRS 23 (Revised)	Borrowing costs
Amendments to FRS 27	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to FRS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
Amendments to FRS 39	Amendments relating to reclassification of financial assets
Amendments to FRS 101	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to FRS 107	Amendments relating to reclassification of financial assets
Amendments to FRS 107	Financial Instruments: Disclosures – Improving disclosures about financial instruments
FRS 108	Operating Segments
Amendments to INT FRS 109 and FRS 39	Embedded Derivatives
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

The Group has adopted all the new and amended FRS and INT FRS that are relevant to its operation and effective for annual periods beginning on or after 1 January 2009. The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and/or any significant impact on these financial statements, except for the following:

<u>FRS 1 (Revised) Presentation of Financial Statements</u>

The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in the primary statement of comprehensive income, comprising profit or loss for the year and other comprehensive income.

The "balance sheets" and "cash flow statement" have been re–titled to "statements of financial position" and "statement of cash flows" respectively.

<u>FRS 108 Operating Segments</u>

FRS 108 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This resulted in the reportable segments are presented in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no further impact on the measurement of the Group's and the Company's assets and liabilities. Comparatives for 2008 have been restated.

NOTES TO THE FINANCIAL STATEMENTS

2(b) Interpretations and amendments to published standards effective in 2009 (Cont'd)

FRS 107 Financial Instruments: Disclosures – Improving disclosures about financial instruments

The amendments to FRS 107 require enhanced disclosure about fair value measurements and liquidity risk. In particular, the amendments require disclosure of fair value measurement by level of a fair value measurement hierarchy. The adoption of the amendments results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

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:

		Effective date (Annual periods beginning on or after)
FRS 27 (amended 2009)	Consolidated and separate financial statements	01.07.2009
FRS 103 (revised 2009)	Business combinations	01.07.2009
Amendments to FRS 39	Financial instruments: Recognition and measurement – Eligible hedged items	01.07.2009
Amendments to INT FRS 109	Reassessment of embedded derivatives	30.06.2009
Amendments to FRS 39	Financial instruments: Recognition and measurement – Embedded derivatives	30.06.2009
INT FRS 117	Distributions of non–cash assets to owners	01.07.2009
INT FRS 118	Transfer of assets from customers	01.07.2009

The directors do not anticipate that the adoption of these FRS and INT FRS in future periods will have a material impact on the consolidated financial statements of the Group.

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 the subsidiaries is given in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

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

Consolidation (Cont'd)

The consolidated financial statements of the Group have been prepared using the historical cost method similar to the "pooling-of-interest" 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 current period.

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Acquisitions of subsidiaries, if any are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

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

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

Intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Property, plant and equipment and depreciation

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

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

No depreciation is provided on construction in progress.

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

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

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

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

Subsidiaries

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

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest.

NOTES TO THE FINANCIAL STATEMENTS

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

Inventories

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

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

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

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

Financial assets

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

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

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

Loan and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Cash and cash equivalents

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

Share capital

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

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.

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 the income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Financial liabilities (Cont'd)

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 reporting date are included in non–current borrowings in the statement of financial position.

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

Provisions

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

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

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

Research and development costs

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

Income tax

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

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 except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

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

Income tax (Cont'd)

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 reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, 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.

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.

Employee benefits

Retirement benefits scheme

Pursuant to the relevant regulations of The People's Republic of China government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in The People's Republic of China 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Employee benefits (Cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the reporting date.

Key management personnel

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

Related parties

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

Impairment of non–financial assets

The carrying amounts of the Company's and Group's non–financial assets subject to impairment are reviewed at each reporting date 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 the income statement unless it reverses a previous revaluation in which case it is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS

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

Revenue recognition

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

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

Conversion of foreign currencies

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.

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 reporting date;
(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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Operating leases

Rentals on operating leases are charged to income statement on a straight–line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

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 2009 RMB'000**	31 December 2008 RMB'000
Revenue		
Sales of goods	**1,904,799**	1,859,712
Other income		
Interest income	**2,869**	3,215
Sundry income	**10**	41
	2,879	3,256

4 Selling and distribution expenses

Included in the selling and distribution expenses is advertising and promotion expenses of RMB24,859,000 (2008 – RMB65,641,000) and depreciation of RMB34,576,000 (2008 – RMB28,076,000).

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets

The Group	Land use rights RMB'000	Patent RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 January 2008	3,173	6,015	–	9,188
Additions	–	62	173	235
Written off	–	(6,000)	–	(6,000)
At 31 December 2008	3,173	77	173	3,423
Additions	–	–	46	46
At 31 December 2009	**3,173**	**77**	**219**	**3,469**
Accumulated amortisation				
At 1 January 2008	482	135	–	617
Amortisation for the year (Note 21)	63	812	11	886
Written off	–	(944)	–	(944)
At 31 December 2008	545	3	11	559
Amortisation for the year (Note 21)	63	1	55	119
At 31 December 2009	**608**	**4**	**66**	**678**
Net book value				
At 31 December 2009	**2,565**	**73**	**153**	**2,791**
At 31 December 2008	2,628	74	162	2,864

Land use rights held by the Group with net book value of RMB2,565,000 (2008 – RMB2,628,000) as at 31 December 2009 were pledged to a bank to secure a bank borrowing granted to the Group (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment

The Company	Furniture, fixtures and office equipment RMB'000
Cost	
At 1 January 2008	4
Additions	16
At 31 December 2008	20
Additions	9
At 31 December 2009	**29**
Accumulated depreciation	
At 1 January 2008	–
Depreciation	2
At 31 December 2008	2
Depreciation	2
At 31 December 2009	**4**
Net book value	
At 31 December 2009	**25**
At 31 December 2008	18

NOTES TO THE FINANCIAL STATEMENTS

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 in progress RMB'000	Total RMB'000
Cost							
At 1 January 2008	18,186	41,324	4,462	1,808	–	10,510	76,290
Exchange difference on translation	–	–	(3)	–	–	–	(3)
Additions	19,346	4,578	812	–	56,152	–	80,888
Reclassification	10,510	–	–	–	–	(10,510)	–
Disposals/ written off	–	(6,713)	(410)	–	–	–	(7,123)
At 31 December 2008	48,042	39,189	4,861	1,808	56,152	–	150,052
Additions	–	1,486	9	–	13,000	–	14,495
At 31 December 2009	**48,042**	**40,675**	**4,870**	**1,808**	**69,152**	**–**	**164,547**
Accumulated depreciation							
At 1 January 2008	7,637	6,697	1,463	109	–	–	15,906
Exchange difference on translation	–	–	(1)	–	–	–	(1)
Depreciation (Note 21)	1,491	3,772	486	325	28,076	–	34,150
Disposals/ written off	–	(5,861)	(369)	–	–	–	(6,230)
At 31 December 2008	9,128	4,608	1,579	434	28,076	–	43,825
Depreciation (Note 21)	2,162	3,788	603	325	34,576	–	41,454
At 31 December 2009	**11,290**	**8,396**	**2,182**	**759**	**62,652**	**–**	**85,279**
Net book value							
At 31 December 2009	**36,752**	**32,279**	**2,688**	**1,049**	**6,500**	**–**	**79,268**
At 31 December 2008	38,914	34,581	3,282	1,374	28,076	–	106,227

NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment (Cont'd)

Depreciation expenses	**The Group** **31 December 2009** **RMB'000**	 31 December 2008 RMB'000
Depreciation expense charged to:		
Cost of sales	**6,058**	5,371
Administrative expenses	**820**	703
Selling and distribution expenses	**34,576**	28,076
	41,454	34,150

7 Subsidiaries

The Company	**31 December 2009** **RMB'000**	31 December 2008 RMB'000
Unquoted equity investment, at cost	**18,072**	18,072
Amounts due from subsidiary on long–term loan account	**492,495**	388,545
	510,567	406,617

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

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2009 %	2008 %	
Held by the Company:				
Theme Way Limited [(1)]	Hong Kong	100	100	Investment holding
Held by Theme Way Limited:				
Hengfa (Fujian) Light Industry Development Co., Ltd [(2)] 恒发(福建)轻工业发展有限公司 ("Hengfa Light Industry")	The People's Republic of China	100	100	Production of apparels, shoes, footwear–making materials, bags, accessories, badminton products, fabric materials, and freight and technical import and export
YELI (Hong Kong) Company Limited [(1)] ("YELI Hong Kong")	Hong Kong	100	100	Investment holding
YELI Sports (China) Co., Ltd (formerly known as Yeli (China) Co., Ltd) [(2)] 野力体育（中国）有限公司("YELI China")	The People's Republic of China	100	100	Design, manufacture and sales of sports fashion footwear and apparel

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

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

NOTES TO THE FINANCIAL STATEMENTS

8 Deferred Taxation

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets				
Balance at beginning	**–**	–	**–**	–
Transfer from income statement (Note 22)	**–**	–	**5,000**	–
	–	–	**5,000**	–

The balance comprises tax on the temporary differences arising from provisions.

9 Inventories, at cost

	31 December 2009	31 December 2008
The Group	**RMB'000**	RMB'000
Raw materials	**9,476**	12,902
Work–in–progress	**1,611**	1,896
Finished goods	**14,385**	11,358
	25,472	26,156
Cost of inventories included in cost of sales	**949,948**	1,275,096

NOTES TO THE FINANCIAL STATEMENTS

10 Trade and other receivables

The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Trade receivables – third parties	**163,736**	281,216
Other receivables	**3**	–
Deposits	**21,987**	9,451
Total	**185,726**	290,667

Trade receivables generally have credit terms of 90 days (2008 – 90 days).

Deposits represent payment of deposits for the acquisition of property, plant and equipment and purchase of raw material.

The Group believes that no impairment allowance is necessary as none of the trade receivables are past due. All trade receivables are located in the PRC.

11 Amount due from/(to) a subsidiary

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

12 Pledged fixed deposit

The fixed deposit is pledged to a bank to secure a banking facility granted to a subsidiary (Note 19). The fixed deposit has an effective interest rate of 1.386% per annum (2008 – 2.8%). Interest rate is re–priced at an interval of six months (2008: six months).

NOTES TO THE FINANCIAL STATEMENTS

13 Cash and cash equivalents

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposit with maturity less than 3 months	**3,529**	3,419	**3,529**	3,419
Cash at banks	**6,205**	833	**893,566**	541,107
Cash on hand	**–**	–	**92**	71
	9,734	4,252	**897,187**	544,597

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

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**–**	–	**85**	98
Renminbi	**–**	–	**886,400**	540,245
Singapore dollar	**9,734**	4,252	**10,677**	4,252
United States dollar	**–**	–	**25**	2
	9,734	4,252	**897,187**	544,597

The effective interest rate for fixed deposit is 0.96% per annum (2008 – 1.3% per annum). Interest rate is re–priced at interval of three months (2008: three months).

NOTES TO THE FINANCIAL STATEMENTS

14 Share capital

The Company and The Group	No. of ordinary shares **31 December 2009** **'000**	 31 December 2008 '000	Amount **31 December 2009** **RMB'000**	 31 December 2008 RMB'000
Issued and fully paid:				
Balance at beginning of year	**673,700**	336,850	**26,419**	26,419
Issuance of shares arising from right shares	**168,425**	–	**5,933**	–
Total	**842,125**	336,850	**32,352**	26,419
Subdivision of one ordinary share into 2 ordinary shares	**–**	673,700	**–**	–
Balance at year end	**842,125**	673,700	**32,352**	26,419

During the financial year, the Group had completed a right issue of 168,425,000 shares at an issue price of S$0.10 each on the basis of one right share for every four existing shares.

In 2008 the shareholders of the Company approved the sub–division of every one ordinary shares of HK$0.08 in the authorised and issued share capital of the Company into two ordinary shares of HK$0.04 each in the capital of the Company.

According to the 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 treasure 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.

NOTES TO THE FINANCIAL STATEMENTS

15 Reserves

	Note	The Company 31 December 2009 RMB'000	The Company 31 December 2008 RMB'000	The Group 31 December 2009 RMB'000	The Group 31 December 2008 RMB'000
Share premium		**463,138**	390,641	**463,138**	390,641
Statutory reserve	(a)	**–**	–	**70,075**	55,437
Merger reserve	(b)	**–**	–	**801**	801
Paid–in capital from exchange differences	(c)	**330**	330	**330**	330
Currency translation reserve	(d)	**–**	–	**(1,097)**	(2,707)
(Accumulated losses)/retained profits		**(23,716)**	(14,448)	**380,879**	291,446
		439,752	376,523	**914,126**	735,948
Represented by:					
Distributable		**(23,716)**	(14,448)	**380,879**	291,446
Non–distributable		**463,468**	390,971	**533,247**	444,502
		439,752	376,523	**914,126**	735,948

(a) Statutory reserve

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

(b) Merger reserve

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

(c) Paid–in capital from exchange differences

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

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

NOTES TO THE FINANCIAL STATEMENTS

16 Trade and bills payables

The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Trade payables	**141,818**	101,278
Bills payables	**4,553**	6,000
	146,371	107,278

Trade payables generally have credit terms of 90 days (2008 – 90 days). The trade payables are denominated in RMB.

17 Accrued liabilities and other payables

	The Company		**The Group**	
	31 December 2009 RMB'000	31 December 2008 RMB'000	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Accrued liabilities	**1,736**	1,028	**4,568**	5,562
Advances from a third party	**–**	–	**17,610**	17,640
Amount owing to director	**41,542**	6,299	**41,542**	17,779
Other payables	**1,248**	736	**8,469**	8,184
Other payable for acquisition of property, plant and equipment	**–**	–	**–**	147
VAT payable	**–**	–	**3,845**	5,301
	44,526	8,063	**76,034**	54,613

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

NOTES TO THE FINANCIAL STATEMENTS

17 Accrued liabilities and other payables (Cont'd)

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

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**52**	332	**22,215**	22,526
Renminbi	**5,043**	6,220	**10,593**	30,576
Singapore dollar	**1,684**	1,360	**1,684**	1,360
United States dollar	**41,542**	151	**41,542**	151
	48,321	8,063	**76,034**	54,613

18 Provisions

	The Group	
	31 December 2009	31 December 2008
	RMB'000	RMB'000
Balance at beginning	**–**	–
Provision during the year	**20,000**	–
Balance at end	**20,000**	–

This represents rebates to be given to distributors who meet certain sales targets.

NOTES TO THE FINANCIAL STATEMENTS

19 Interest–bearing bank borrowings

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings (secured)	**–**	33,901	**10,000**	40,901

Interest–bearing bank borrowings are denominated in the following currencies:

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**–**	–	**10,000**	7,000
United States dollar	**–**	33,901	**–**	33,901
	–	33,901	**10,000**	40,901

Bank borrowings are repayable within one year.

The Renminbi borrowings are secured by:

(i) a personal guarantee by certain directors of the Group; and

(ii) a mortgage of the land use rights of a subsidiary (Note 5);

The outstanding bank borrowings of the Group exposed to interest rate risk were as follow:

	The Company		The Group	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At effective interest rate of 6.4% per annum (2008 – 7.1% per annum)	**–**	33,901	**10,000**	40,901

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

The bank borrowings for the Company was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

20 Finance costs

	The Group	
	31 December 2009	31 December 2008
	RMB'000	RMB'000
Interest charges on bank borrowings	**1,372**	904

21 Profit before taxation

The Group	**Note**	**31 December 2009 RMB'000**	**31 December 2008 RMB'000**
Profit before taxation is arrived at after charging/ (crediting):			
Amortisation of intangible assets	5	**119**	886
Depreciation of property, plant and equipment	6	**41,454**	34,150
Directors' fees – directors of the Company		**660**	664
Exchange (gain)/loss		**(940)**	112
Intangible asset written off	5	**–**	5,056
Minimum lease payments under operating leases		**2,460**	2,460
Property, plant and equipment written off		**–**	893
Research and development expenses		**12,869**	4,495
Staff Costs			
Directors:			
Directors' remuneration other than fee			
– directors of the Company		**1,560**	3,661
– retirement scheme contribution		**–**	18
Key management personnel			
– salaries, wages and related costs		**1,188**	1,133
– retirement scheme contribution		**87**	67
Other than key management personnel			
– salaries, wages and related costs		**30,986**	27,432
– employee benefits under post retirement benefit plans		**10,061**	7,577
		43,882	39,888

NOTES TO THE FINANCIAL STATEMENTS

22 Income tax expense

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

The Group	31 December 2009 RMB'000	31 December 2008 RMB'000
Current taxation	**42,564**	65,348
Deferred taxation (Note 8)	**(5,000)**	–
	37,564	65,348

The Group	31 December 2009 RMB'000	31 December 2008 RMB'000
Profit before taxation	**160,162**	250,283
Tax at statutory rate of 25% (2008 – 25%)	**40,041**	62,571
Tax effect on non–taxable income	**(5,085)**	–
Tax effect on non–deductible expenses	**2,608**	2,777
	37,564	65,348

Wholly foreign–owned enterprises are subject to The People's Republic of China state and local income tax rates pursuant to the income tax laws of The People's Republic of China for foreign investment enterprises and foreign enterprises (the "Tax Laws").

As a foreign investment enterprise established under the laws of the China, 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"). YELI China has elected 31 December 2009 to be its first profitable year for the purpose of determining the tax holiday period and was exempted from national income tax in financial year 2009.

With effect from 1 January 2008, the provision for The People's Republic of China income tax is calculated based on the statutory income tax rate of 25%.

23 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 723,535,000 shares (2008–723,535,000 shares) during the financial year. The Company has completed a right issue of 168,245,000 shares. The new shares were listed on the Official List of the SGX–ST Mainboard on 15 September 2009. There is no potential dilution on earning for the relevant financial years.

NOTES TO THE FINANCIAL STATEMENTS

24 Dividends

The Company and The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Final dividend paid in respect of the previous financial year of RMB0.0275 (2008: RMB0.0465) per share	**18,527***	31,327

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

25 Related party transactions

During the financial year, the Group had repaid the interest–bearing loans which directors of the Group have pledged their respective shares of the Company to secure a banking facility (Note 19) granted to the Company in 2008:

	31 December 2009	31 December 2008
	Number of ordinary share of	
The Company	**HK$0.04**	**HK$0.04**
Lin Shaoxiong	**–**	140,000,000
Li Tung Kwo	**–**	140,000,000

26 Commitments

(a) Operating leases commitments

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

The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Within one year	**2,460**	1,835
In the second to fifth years	**875**	960
	3,335	2,795

The leases on the Group's office and hostel, and factory premises on which rentals are payable will expire on 31 July 2011 and 31 December 2010, subject to an option to renew, and the current rent payable on the leases are RMB125,000 and RMB80,000 per month respectively which are subject to revision on renewal.

NOTES TO THE FINANCIAL STATEMENTS

26 Commitments (Cont'd)

(b) Capital expenditure

The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Capital expenditure contracted for acquisition of machinery but not provided for	**4,625**	4,625

(c) Capital commitments

The Group had unpaid capital contribution in a subsidiary, YELI China as follows:

The Group	**31 December 2009 RMB'000**	31 December 2008 RMB'000
Unpaid capital contribution in a subsidiary – Contributable on or before 13 December 2009	**–**	58,318

(d) Other commitments

One of the subsidiaries, Yeli Sports (China) Co., Ltd, had entered into an official event store agreement to operate official event stores in the retail format and distribution agreement to supply the Fédération Internationale de Football Association ("FIFA") products with Global Brands (Football) Pte Ltd on 14 December 2009. Arising from this agreement, the subsidiary is committed to provide advertising and marketing activities for the duration of the agreemement.

27 Operating segments

For management purposes, the Group is organised into two reportable on operating segments, which are footwear, 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.

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (Cont'd)

The segment information provided to the management for the reportable segments for the financial year from 1 January 2009 to 31 December 2009 is as follows:

	Footwear		Apparel & Accessories		Total	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Segment Revenue	1,507,983	1,503,662	396,816	356,050	1,904,799	1,859,712
Segment Results	121,958	234,873	128,781	116,675	250,739	351,548
Unallocated corporate expenses					(90,577)	(101,265)
Operating profit					160,162	250,283
Income taxes					(37,564)	(65,348)
Net profit					122,598	184,935
Other information						
Segment assets	259,574	370,279	38,693	55,653	298,267	425,932
Segment liabilities	(199,605)	(163,967)	(52,800)	(38,825)	(252,405)	(202,792)
Capital expenditures	(11,475)	(65,402)	(3,020)	(15,486)	(14,495)	(80,888)
Depreciation	(32,818)	(27,614)	(8,636)	(6,538)	(41,454)	(34,152)
Amortisation of land use rights and intangible assets	(94)	(717)	(25)	(169)	(119)	(886)
Intangible assets written off	–	(5,056)	–	–	–	(5,056)
Property, plant and equipment written off	–	(722)	–	(169)	–	(893)

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (Cont'd)

The Group	2009 RMB'000	2008 RMB'000
Reported segment assets are reconciled to total assets as follows:		
Segment assets	**298,267**	425,932
Cash and cash equivalent	**897,187**	544,597
Pledged fixed deposit	**4,692**	3,000
	1,200,146	973,529
Reported segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**252,405**	202,792
Provision for income tax	**1,263**	8,370
	253,668	211,162

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

28 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 2009, the Group's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables, trade and bill payables, accrued liabilities and other payables, and bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies

28.1 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 expense are mainly in United States dollar.

As at 31 December 2009, the non–Renminbi assets and liabilities of the Group are mainly fixed deposits in Singapore dollar. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

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

The Group	**As at 31 December 2009 USD'000**	As at 31 December 2008 USD'000
Interest–bearing bank borrowings	**–**	5,000
	SGD'000	SGD'000
Fixed deposits	726	718

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and 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 2009 RMB'000		**As at 31 December 2008 RMB'000**	
		Profit net of tax	**Equity**	**Profit net of tax**	**Equity**
USD	– strengthened 5% (2008 – 5%)	–	–	–1,695	–1,695
	– weakened 5% (2008 – 5%)	–	–	+1,695	+1,695
SGD	– strengthened 5% (2008 – 5%)	+1,677	+1,677	+190	+190
	– weakened 5% (2008 – 5%)	–1,677	–1,677	–190	–190

NOTES TO THE FINANCIAL STATEMENTS

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

28.2 Interest rate risk

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

The Company's and the Group's exposure to interest rate risk arises primarily from their bank borrowings. All of the Company's and the Group's bank borrowings are less than 12 months (2008 – less than 12 months) from the end of reporting period.

Sensitivity analysis for interest rate risk

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

(a) At the end of the reporting period, if Renminbi interest rate had been 75 (2008 – 75) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB73,000 (2008– RMB31,000) higher or lower respectively, arising mainly as a result of lower or higher interest expense on floating rate borrowings and higher or lower interest income from fixed deposits.

(b) At the end of the reporting period, if Singapore dollar interest rate had been 75 (2008 – 75) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB24,000 (2008– RMB36,000) higher or lower, arising mainly as a result of higher or lower interest income from fixed deposits.

(c) At the end of the reporting period, if United States dollar interest rate had been 75 (2008 – 75) basis points lower or higher with all other variables held constant, the Group's profit net of tax would have been RMB93,000 (2008 – RMB31,000) higher or lower, arising mainly as a result of lower or higher interest expense on floating rate borrowings.

28.3 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 People's Republic of China.

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 10.

NOTES TO THE FINANCIAL STATEMENTS

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

28.4 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 2009	
Trade, bills and other payables	242,405
Interest–bearing bank borrowings	10,000
	252,405
At 31 December 2008	
Trade, bills and other payables	161,891
Interest–bearing bank borrowings	40,901
	202,792

The Company	**Less than 1 year RMB'000**
At 31 December 2009	
Trade and other payables	66,848
At 31 December 2008	
Trade and other payables	8,063
Interest–bearing bank borrowings	33,901
	41,964

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

NOTES TO THE FINANCIAL STATEMENTS

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

28.5 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.

29 Capital management

The Group's objectives when managing capital are:

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

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

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

30 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.

NOTES TO THE FINANCIAL STATEMENTS

31 Events after reporting date

The Company and the Group

On 22 January 2010, the Company entered into a Placement Agreement ("Placement") with UOB Kay Hian Private Limited to place up to 120,000,000 ordinary shares at the placement price of S$0.18 ("Placement Shares"). The Placement Shares represent approximately 14.25% of the existing issued and paid up capital of the Company on the transaction date. The net proceeds of approximately S$20.5 million from the placement will be used to fund the setting up of distribution network for FIFA related products as well as the advertising and promotional activities to promote FIFA products.

In connection with the Placement, the Company also entered into a Share Lending Agreement with the Company's Executive Chairman and Chief Executive Officer, Lin Shaoxiong ("Mr. Lin"), to loan up to 120,000,000 existing ordinary shares ("Loan Shares") to facilitate the delivery of the Placement Shares on the completion of the Placement. The shares were successfully placed out on 25 January 2010.

Pursuant to the Share Lending Agreement, the Company will issue and return the Loan Shares to Mr. Lin upon obtaining in-principal approval from the SGX-ST for the listing and quotation of the Placement Shares on the Official List of the SGX-ST. The Company is currently in the process of procuring the necessary confirmations required by the SGX-ST in connection with its application for the listing and quotation of the Placement Shares on the Official List of the SGX-ST.

The net proceeds from the Placement is treated as an amount owing to Mr. Lin (with no consideration paid and interests payable) and will be capitalised as an increase in share capital upon the return of the Loan Shares to Mr. Lin.

Had 120,000,000 new ordinary shares been issued and allocated as part of the Placement, the basic and diluted EPS, based on the audited accounts of the Group as at 31 December 2009, would be 39.80 cents and 39.80 cents respectively.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2010

Authorised Share Capital	:	HK$500,000,000
Issued and fully paid-up capital	:	HK$33,685,000
Class of equity securities		Number of equity securities
Ordinary Shares	:	842,125,000 Ordinary Shares of HK$0.04 each
Treasury Shares	:	Nil
Voting Rights	:	One vote per share (excluding treasury shares)

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	177	2.93	77,345	0.01
1,000 - 10,000	1,224	20.26	8,140,079	0.96
10,001 - 1,000,000	4,594	76.02	343,477,001	40.79
1,000,001 and above	48	0.79	490,430,575	58.24
	6,043	100.00	842,125,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Lin Shaoxiong[1]	162,500,000	19.30	–	–
Orkla ASA	50,267,469	5.97	–	–

The percentage of shareholding above is computed based on the total issued shares of 842,125,000 excluding treasury shares.

Note:

(1) Lin Shaoxiong's shares of 162,500,000 in the share capital of the Company are held in the name of nominee, UOB Kay Hian Pte Ltd.

In connection with a placement exercise undertaken by the Company in February 2010, Lin Shaoxiong entered into a share lending agreement with the Company pursuant to which Lin Shaoxiong loaned to the Company 120,000,000 existing ordinary shares in the Company beneficially held by him ("Loan Shares"). The Loan Shares were used by the Company to facilitate the delivery of the placement shares on completion of the placement.

The parties have agreed that the Loan Shares will be issued and returned to Lin Shaoxiong on the earlier of (i) date on which the SGX-ST grants its in-principle approval for the listing and quotation of the Placement Shares on the Official List of the SGX-ST, or such earlier time as may be agreed between the parties; and (ii) 30 June 2010.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2010

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	UOB KAY HIAN PTE LTD	186,302,500	22.12
2.	HSBC (SINGAPORE) NOMINEES PTE LTD	65,255,462	7.75
3.	DBS NOMINEES PTE LTD	40,794,835	4.84
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	25,767,000	3.06
5.	DBS VICKERS SECURITIES (S) PTE LTD	15,991,000	1.90
6.	RAFFLES NOMINEES (PTE) LTD	15,583,550	1.85
7.	OCBC SECURITIES PRIVATE LTD	15,313,750	1.82
8.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	14,590,999	1.73
9.	PHILLIP SECURITIES PTE LTD	11,188,322	1.33
10.	LIM & TAN SECURITIES PTE LTD	9,942,000	1.18
11.	KIM ENG SECURITIES PTE. LTD.	7,287,000	0.87
12.	LING HUA EE	6,500,000	0.77
13.	TAN CHUAN HEONG	5,450,000	0.65
14.	TAY AH KEE	5,000,000	0.59
15.	DB NOMINEES (S) PTE LTD	4,080,000	0.48
16.	TAN KIM KOON	4,000,000	0.47
17.	CIMB-GK SECURITIES PTE. LTD.	3,914,500	0.46
18.	TAN POH GHEE	3,391,000	0.40
19.	AMFRASER SECURITIES PTE. LTD.	3,311,000	0.39
20.	HONG LEONG FINANCE NOMINEES PTE LTD.	2,979,000	0.35
		446,641,918	53.01

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

74.71% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchard Room, Level 4, Raffles City Convention Centre, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on Tuesday, 27 April 2010 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Bye-law 85(6) of the Bye-laws of the Company:

   Mr Lin Shaoqin **(Resolution 2)**
   Mr Tham Hock Chee **(Resolution 3)**
   [See Explanatory Note (i)]

   Mr Sam Kok Yin, who is retiring by rotation pursuant to Bye-law 86(1)of the Bye-laws of the Company, is not seeking for re-election.

4. To approve the payment of Directors' fees of S$158,000 for the year ended 31 December 2009 (2008: S$140,000). **(Resolution 4)**

5. 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)**

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

AS SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(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,

(the ***"Share Issue Mandate"***)

provided that:

(1) Save for sub-paragraph (2) below, 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 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) 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 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(2) 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 to existing shareholders via a pro-rata renounceable rights issue pursuant to this Resolution shall not (i) if issued on or before 31 December 2010, exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below); or (ii) if issued after 31 December 2010, exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(3) (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-paragraphs (1) and (2) above, the percentage of the total number of issued shares and Instruments shall be based on the 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 consolidation or subdivision of shares;

(4) in exercising the Share Issue Mandate 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 Bye-laws of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate 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)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to issue shares and Instruments other than on a pro rata basis at a discount**

That subject to and pursuant to the Share Issue Mandate being obtained in **Resolution 6**, approval be and is hereby given to the Directors of the Company to issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not (i) if the issue was made on or before 31 December 2010, represent a discount of more than 20% to the weighted average price per share or (ii) if the issue was made after 31 December 2010, represent a discount of more than 10% to the weighted average price per share, determined in accordance with the requirements of the Singapore Exchange Securities Trading Limited; and unless revoked or varied by the Company in a general meeting, such authority shall continue in force 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 or 31 December 2010.
[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Nicole Tan Siew Ping
Company Secretary

Singapore, 12 April 2010

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

(ii) Resolution 6, 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 save that such number shall be up to 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders for issue on or before 31 December 2010.

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 the 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 Resolution is passed and any subsequent consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit was a measure implemented by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) as stated in a press release entitled “SGX introduces further measures to facilitate fund raising” dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 (the “Press Release”). The measure provides directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders’ approval, in the event the need arises. Minority shareholders’ interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(iii) Another measure implemented by the SGX-ST stated in the Press Release empowers directors to issue shares other than on a pro-rata basis at a discount of not more than 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

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.

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

DIRECTORS

Mr Lin Shaoxiong	
Mr Lin Shaoqin	
Ms Lai Chin Yee	*(Lead Independent Director)*
Mr Tham Hock Chee	*(Independent Director)*
Mr Sam Kok Yin	*(Independent Director)*

AUDIT COMMITTEE

Ms Lai Chin Yee *(Chairman)*
Mr Sam Kok Yin
Mr Tham Hock Chee

REMUNERATION COMMITTEE

Mr Tham Hock Chee *(Chairman)*
Ms Lai Chin Yee
Mr Sam Kok Yin

NOMINATING COMMITTEE

Mr Sam Kok Yin *(Chairman)*
Ms Lai Chin Yee
Mr Tham Hock Chee

SECRETARY

Ms Nicole Tan Siew Ping

SHARE REGISTRAR

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

BANKERS

Agricultural Bank of China (Shishi Branch)
Bank of Communications (Offshore Banking Centre)
Bank of Communications (Quan Zhou Branch)
Bank of East Asia (Singapore Branch)
China Citic Bank (Quan Zhou Branch)
China Merchants Bank (Offshore Banking Centre)
Industrial Bank Co. Limited (Quan Zhou Branch)
Quan Zhou City Commerical Bank (Jin Jiang Branch)

AUDITORS

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Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

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