China Sports International Limited

STEPPING UP TO THE CHALLENGE

ANNUAL REPORT 2015

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OUR BUSINESS

China Sports International Limited is mainly engaged in the design, manufacture and sale of sports fashion footwear and design and sale of sports fashion apparel under its own YELI (野力) brand. Additionally we have also been licensed by Paws, Inc to use the graphic images of various characters from the Garfield® comic strip in our footwear kids, including shoes, sandals and slippers throughout mainland China. Our Group's products are designed for both functional use and casual use, catering to the lifestyle of our targeted consumer group comprising both kids and young adults. The products are mainly sold through distributors who have a retail network of more than 1,205 points-of-sale throughout first, second, third and fourth tier cities in the PRC.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Sports International Limited, I am pleased to present our Annual Report for the financial year ended 31 December 2015 ("FY 15").

DEVELOPMENTS OF FY2015

FY 15 has been a challenging time for the Group with our performance significantly impacted by the moderation of growth in the Chinese economy which translates to even greater competition and softer demand for our products. Despite these headwinds, we have been proactive in managing its impact and deriving the best possible outcome for our stakeholders.

Beginning with the numbers; our total sales fell by 70.5% to RMB243.5 million, a reduction of some RMB582.3 million from FY 14. The reduction in revenue was largely driven by the increasingly cautious and conservative stance adopted by the distributors. As they become more aware of growing competition, they have scaled down on orders for footwear and apparel products. Furthermore, the slowdown in promoting new features or functionality for our products this year offers has also affected orders from distributors.

The fall in revenue was likewise reflected in the Group's gross profit, ending at 71% lower than the RMB156.3 million recorded in FY 14. Our gross profit of approximately RMB44.8 million was lower due to the reduced number of footwear products sold and the discontinuing of the apparel products since 2015.

The reduction in gross profit margin was slight in comparison as it dipped by 0.5% in part due to the omission of the low margin apparel products.

For the year under review, the revenue is derived solely from the footwear segment with the discontinuation of the apparel products. The footwear segment is divided into contribution from the YELI brand and OEM products. The former contributed 54.3% or RMB132.2 million to total revenue while the latter makes up the remaining 45.7% or RMB111.3 million.

Sales of YELI brand products were lower due the aforementioned factors. The lack of new features, poor economic outlook and intensified price competition in the market that have also led to the closure of more than half of distribution outlets.

Meanwhile, the lower sales for our OEM products were largely due to a combination of reduced orders from our existing customers, overall softer consumer demand in overseas markets and our strategy of being more stringent in the selection of only higher margin orders from our existing OEM customers.

IDENTIFYING CHALLENGES

The challenges we faced in FY 14 continue to be felt in FY 15 and will likely have a presence in the coming financial year. Competition from our peers and on the distributor level continue to narrow market share in the industry that is beset by inventory excess and over-expanded retail channels.

Furthermore, the lack of product differentiation has led to destocking and network consolidation. An issue that we too were not immune as we had notably reduced our points-of-sale by 73% to over 330 and likewise closed down 80% of our YELI specialty stores with over 35 still in operation.

The scenario is further compounded by ongoing consumer migration to casual fashion wear as opposed to sportswear.

The macroeconomic environment also played a role with the poorer performance as our key market, China, saw its GDP dip to 6.8% in the last quarter of FY 15, the lowest since the first quarter of 2009. However, a silver lining is the growth in total retail sales of consumer goods for FY 15 which rose 10.8%. Retail sales in rural areas rose by 11.5% while retail sales in urban areas increased at a relatively slower pace of 10.1%.

OUTLINING SOLUTIONS

Moving forward, we are doing more to address the challenges ahead. Some measures already put in place include the streamlining of distribution networks. The closure of points-of-sales and specialty stores mentioned above is a shift in focus where we redeploy to open more shops and counters in first, second and third-tier city departmental stores.

Looking beyond traditional avenues of sales, we have also invested in exploring how best to develop a sustainable plan to capitalize on e-commerce as a platform to increase market awareness of our brand.

We will also continue to explore avenues of differentiating our products. In addition to the shift to departmental store mentioned above, we will also place a greater emphasis on fashion wear and are in the midst of acquiring the rights for other popular cartoon image rights to make our kid-wear products more competitive in FY 16.

Furthermore, we are undertaking efforts to differentiate our products on a functional level with a rights issue that will raise funds to enable the Group to to finance or fund the further development of the breathable and waterproof membrane.

On the OEM product front, we are well-positioned to secure more product orders due to the strong foundation of good production quality and beneficial partnerships.

In addition to the above, we will ramp up our advertising initiatives to improve market awareness of our products. This is tempered with our ongoing efforts to carefully manage costs while improving productivity.

The Group's focus on the kids-wear market is also in line with China's new two child policy which would translate to a positive impact on the kids-wear market as a whole.

ACKNOWLEDGEMENTS

I would like to welcome aboard Mr Ang Wei Chuan who joins us as a Non-Executive Independent Director. On the behalf of the board, we look forward to charting the future direction of the company together. I would also like to express my sincere thanks to my fellow directors, management, staff and shareholders for their continued hard work and faith in us. We hope that you will continue to place your trust in us as we work together to unlock greater value in the coming year.

Lin Shaoxiong（林少雄）
Chairman and Chief Executive Officer

DISTRIBUTION NETWORK

Network in PRC

China Sports has approximately 30 distributors with more than 1,205 points-of-sale covering more than 20 provinces in the the PRC

GLOBAL NETWORK

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

BOARD OF DIRECTORS

Mr Lin Shaoxiong（林少雄）

Executive Chairman and CEO

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

Mr Lin Shaoqin（林少钦）

Executive Director

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

Mr Tham Hock Chee（谭学持）

Independent Director

Mr Tham was appointed as our Independent Director on 4 June 2007 and Chairman of the Remuneration Committee of our Company. He is also an Independent Director of Ouhua Energy Holdings Limited and Abundance International Ltd, both companies listed on the SGX-ST.

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

Mr Lim Kim Huat（林金发）*Independent Director*

Mr Lim was appointed as our Independent Director and the Chairman of the Nomination Committee of our Company on 14 May 2014. He is a Member of the Institute of Singapore Chartered Accountants (ISCA) and a Member of the Association of Chartered Certified Accountants (ACCA). He has also qualified and passed the Chartered Financial Analyst (CFA) Level 1 Examination.

He started his career as an Audit Senior for Foo Kon Tan Grant Thornton, an accounting and consulting firm where he was employed from 1999 to 2002. Thereafter, from 2002 to 2003, he worked for Delifrance Asia Limited, an international cafe chain, as an accountant. He was next appointed as an internal auditor from 2003 to 2005 for Asia Food & Properties Ltd, a company involved in agri-business, food and property. From 2005 to 2007, he worked as a Finance Manager for Tiong Woon Corporation Holding Ltd , a regional integrated heavy lift and haulage and marine transportation service provider. In this position, Mr Lim was responsible for supervision of Accounting and Credit Officers in their daily operations and month-end closing of accounts, preparation of Group consolidated management accounts, statutory accounts, budgets and forecasts. Mr Lim subsequently worked for Sembcorp Parks Management Pte Ltd and was seconded to Vietnam Singapore Industrial Park J. V. Co., Ltd., the development company for Vietnam Singapore Industrial Park (VSIP), from 2007 to 2014, as its Chief Financial Officer. He handled business reviews with the Board of Directors on strategic business planning, and participated in major capital investment and strategic investment initiatives of the Group, among other responsibilities.

Mr Ang Wei Chuan（洪伟川）*Independent Director*

Mr Ang was appointed as our Independent Director and the Chairman of the Audit Committee of our Company on 14 Jan 2016. He holds Bachelor of Commerce (Majoring in Accounting and Information Systems) from Curtin University of Technology, Perth, Western Australia (1994-1997); Australian Society of Practising Accountant Exams, ASCPA (1998-1999) and Master of Business Administration from Deakin University, Australia (2002-2005).

Mr. Ang has over 5 years of experience in audit and accounting's field and has over 10 years of treasury mangement experience in multi-national corporation in managerial position. He began his career with Ernst & Young from October 1997 to November 2000 before he moved on to FE Global Electronics Pte Ltd as Regional Accountant. Subsequently, he joined Cargill – CTP Holdings Pte Ltd. in October 2002 as Senior Corporate Finance Accountant and promoted on October 2005 to Assistant Treasury Manager and left Cargill – CTP Holdings Pte Ltd. until October 2007. He joined Fortis Bank Singapore as Collateral Manager in November 2007 and left in May 2008. He served as Treasury Manager - Asia Pacific Operations of Fuji Xerox Asia Pacific Pte Ltd. from June 2008 to March 2012. He served as Senior Treasury Manager of Sumitomo Corporation Asia Pte Ltd. from April 2012 to February 2014. He was the Group Treasury Manager of InterOil Corporation from 2014 to end 2015 and currently a freelance business consultant.

KEY MANAGEMENT

Ms Zeng Meixia（曾美霞）

Ms Zeng is our Group Finance Manager and was appointed in August 2015. She currently oversees the management of the finance and accounting operations of the Group. Ms Zeng graduated from the Quanzhou Zhongzhuan School majoring in accounting and has over 10 years of practical working experience in large manufacturing organization. Ms Zeng is a key member of the management team and is actively involved in driving the financial strategy of the Company.

Mr Kang Weisheng（康为胜）

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

Mr Fu Chengzhong（傅成忠）

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

Mr Zhong Xinggui （钟兴贵）

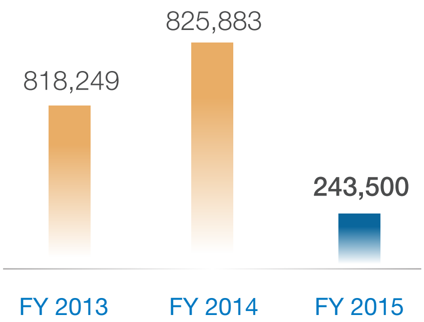
Mr Zhong joined Hengfa (Fujian) Light Industry Development Co., Limited in April 2009 as a Consultant of the Human Resource Department and appointed as our Human Resource Manager in April 2010. He is responsible for planning, directing and coordinating human resource management activities within principal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

Mr Xie Liangcheng（谢良成）

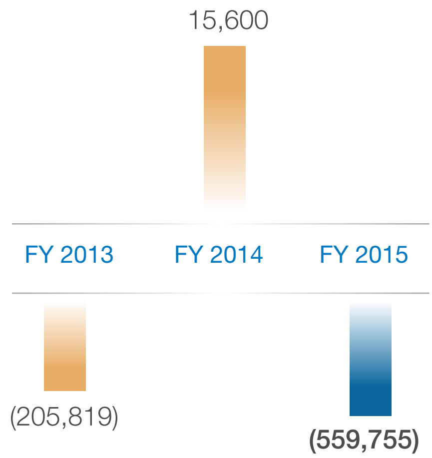
Mr Xie joined Hengfa (Fujian) Light Industry Development Co., Limited as Assistant Technical Manager in February 2008 and was subsequently promoted to become Technical and Quality Assurance Manager on 30 December 2008. He is mainly involved in providing technical advice on the production of footwear and ensuring the production quality of our 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.

FINANCIAL HIGHLIGHTS

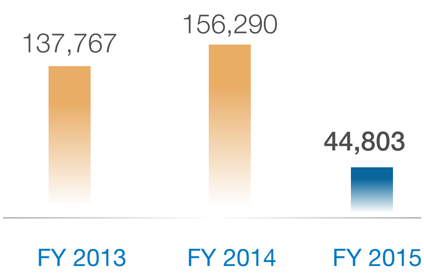
REVENUE
(RMB'000)



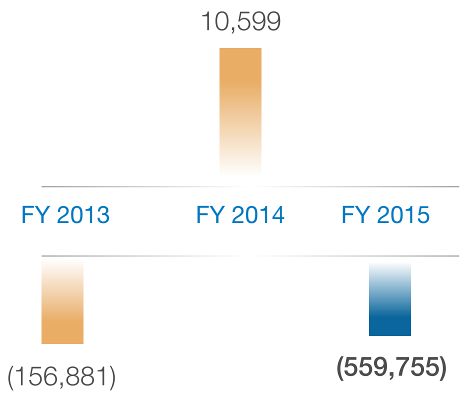
PROFIT/(LOSS) BEFORE INCOME TAX
(RMB'000)



GROSS PROFIT
(RMB'000)



PROFIT/(LOSS) AFTER INCOME TAX
(RMB'000)



OPERATIONS REVIEW

Revenue

For the year ended 31 December 2015, ("FY 15"), our Group's revenue decreased by approximately RMB 582.3 million or 71% to approximately RMB 243.5 million from approximately RMB 825.9 million in the previous corresponding period ("FY 14"). The decrease in revenue in FY 15 and 4Q 15 were mainly attributable to the persistent and increasing competition in the sportswear industry. Our distributors continued to be weary of the intensified competition and became even more prudent in placing their orders for footwear and apparel products, which has affected the overall footwear revenue in FY 15.

Footwear

In FY 15, footwear products recorded approximately RMB 243.5 million in sales, representing a decrease of approximately RMB 523.1 million or approximately 71% over sales of footwear products of approximately RMB 766.6 million in FY 14. The decreases in revenue in FY 15 were mainly attributable to the decrease in both Yeli and OEM footwear revenue. The poor economic outlook and no enhanced features and functionality of our products resulted in lesser orders being placed by our distributors. In view of the persistent weakening retail sportswear market and of intensified price competition, our distributors have also closed down the sales outlet by more than half as compared to FY 14.

In FY 15, our Yeli footwear sales was approximately RMB 132.2 million which represented 54% of our Yeli revenue and of our total revenue as compared to 73% and 91.2% of our YELI revenue and of our total revenue in FY 14.

The decrease in OEM footwear revenue in FY 15 was mainly attributable to decreased orders from our existing customers and weaker consumer demand in oversea market. We continued to pursue our strategy of selectively accepting higher margin orders from our existing OEM customers. Despite of us consistently maintaining the quality of our OEM products, we saw lesser orders from existing OEM customers due to the intensified competition in the sportswear industry. There was a decrease in OEM footwear revenue contribution in FY 15 from approximately RMB 210.9 million in FY14 to RMB 111.3 million.

Apparel and Accessories

In FY 15, our Group recorded no apparel revenue as compared to FY 14 and this is a decrease of approximately RMB 59.3 million. This resulted from our strategic decision to discontinue our Yeli apparel business in 2015. However, our existing distributors have placed orders on apparel of sport wear and kid wear due to the market demand for FY2016.

Distribution Network

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

	FY 15	FY 14	Growth
Points–of-sale	Over 330*	Over 1,205*	(73)%
YELI specialty stores	Over 35	Over 175	(80)%

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

The distribution network for our YELI products in PRC decreased by approximately 73% from over 1,205 points of sale as at 31 December 2014 to over 330 point of sale as at 31 December 2015. Over the same period, the number of specialty stores decreased by 80% from over 175 to over 35. Our Group will continue to execute our strategy to improve the mix of our points of sale.

Due to the poor market economic outlook and weak response to our YELI breathable shoes, our Group's distributors have since closed down majority sales counters and shops-in-shops in various first-tier and second-tier cities. At the same time, points of sales in third- and fourth-tier cities have also decreased. Decreased presence of our brand in first- and second-tier cities has eroded brand awareness of YELI. In view of the rising costs in running a YELI specialty store, our Group has encouraged our distributors to reduce the number of YELI specialty stores so that they can preserve and focus their resources to work with our Group in the change in the product positioning and vary the product line-up with greater emphasis on breathable shoes. Our Group has subsidised the distributors in regards of restoration cost incurred by them.

Cost of Goods Sold and Gross Profit Margin

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 337.8 million or 68% from approximately RMB 669.6 million in FY 14 to approximately RMB 198 million in FY 15.

Our gross profit decreased by approximately RMB 111.5 million or 71% from approximately RMB 156.3 million in FY 14 to approximately RMB 44.8 million in FY 15 as a result of lower volume of footwear products being sold and no more sale of apparels. Our overall gross profit margin slightly reduced by 0.5% in FY 15 despite the lower volume of footwear products as we no longer sell low margin apparel products in 2015.

Other Operating Income

Other operating income comprises interest income from bank deposits and exchange differences. Without considering the realised exchange gain of approximately RMB 0.2 million recorded in FY 15, there is a decrease in interest income in FY 15 which was due to lower bank balances during the period as compared to corresponding period in 2014.

Operating Expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 469.6 million or 344% from approximately RMB 136.5 million in FY 14 to approximately RMB 606.1 million in FY 15. As a percentage of revenue, operating expenses increase to approximately 249 % in FY 15 from approximately 16.5% in FY 14.

The main increase in total operating expenses came from administrative expenses which increase by approximately RMB 424 million or 466% from approximately RMB 91.2 million in FY 14 to approximately RMB 515.2 million in FY 15. The increase for FY 15 is due to the impairment loss on trade receivables of approximately RMB 487.4 million being recognised in first nine month of year 2015. We have tried all ways of collecting our trade receivables back but the collection has been slow due to the poor economic outlook. In view of this, we have made impairment loss on trade receivables FY15.

Selling and distribution expenses increased by approximately RMB 45.7 million or 101% from approximately RMB 45.3 million in FY 14 to approximately RMB 91 million in FY 15. The Group had only spent RMB 11.3 million in FY 15 in advertising on the internet to create and promote the awareness of the YELI brand and functionality of YELI breathable shoes on various e-commerce platforms as compared to approximately RMB 33.5 million in FY 14. The decrease in spending in advertising is due to poor economic outlook and no enhanced features of the footwear products being produced. In addition, the Group has incurred approximately RMB 66.5 million to help to subsidize the distributors in closing their stores which mainly comprise of restoration fee in FY 2015 which resulting overall selling and distribution expenses increased significantly.

Finance costs

Finance costs in FY 15 decreased by approximately RMB 1.9 million or 23% as compared to FY 14. The decrease was due to lower outstanding bank loans in FY 15 as compared to FY14. The decrease in the bank loans as compared to 31 December 2014 was due to the repayment of bank loans of RMB 97.2 million in FY 2015 without new bank loan obtained in last quarter of FY15. In FY 15, PRC economy continued to experience credit tightening from financial institutions and we has also stopped issuing bills payables to the suppliers as at 31 December 2015.

Income tax

No Income tax expense incurred for FY 15 which due to loss incurred for our operating subsidiaries in PRC as compared to the profit registered in FY 14.

CORPORATE INFORMATION

REGISTERED OFFICE

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Hamilton HM 11
Bermuda
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Facsimilie: +1 (441) 292 4720
E-mail: codan@conyersdill.com

DIRECTORS

Mr Lin Shaoxiong
Mr Lin Shaoqin
Mr Ang Wei Chuan
(Appointed on 14 January 2016)
(Lead Independent Director)
Mr Tham Hock Chee
(Independent Director)
Mr Lim Kim Huat
(Independent Director)

AUDIT COMMITTEE

Mr Ang Wei Chuan
(Chairman)
Mr Lim Kim Huat
Mr Tham Hock Chee

REMUNERATION COMMITTEE

Mr Tham Hock Chee
(Chairman)
Mr Ang Wei Chuan
Mr Lim Kim Huat

NOMINATING COMMITTEE

Mr Lim Kim Huat
(Chairman)
Mr Ang Wei Chuan
Mr Tham Hock Chee

SECRETARY

Shirley Tan Sey Liy (ACIS)

SHARE TRANSFER AGENT

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

BANKERS

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

INDEPENDENT AUDITORS

RT LLP
Certified Public Accountants
1 Raffles Place #17-02
One Raffles Place
Singapore 048616
Partner-in-charge: Mr Su Chun Keat
Appointed on: 3 January 2014

CORPORATE GOVERNANCE REPORT, FINANCIAL STATEMENTS AND OTHER INFORMATION

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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 2012 (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 long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board of Directors comprises:

Name of Director	Designation	Date of Appointment	Date of Last Re-election
Mr. Lin Shaoxiong	Executive Chairman and Chief Executive Officer ("CEO")	9 April 2007	30 April 2015
Mr. Lin Shaoqin	Executive Director	10 April 2007	29 April 2013
Mr. Ang Wei Chuan(1)	Lead Independent Director	14 January 2016	–
Mr. Tham Hock Chee	Independent Director	4 June 2007	29 April 2013
Mr. Lim Kim Huat	Independent Director	14 May 2014	30 April 2015

Note:

(1) Mr. Ang Wei Chuan appointed as the Independent Director on 14 January 2016.

The detailed profiles of the Directors are set out on pages 6 and 7 of this Annual Report.

The Board's role is to:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- review Management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- set the Group's values and standards (including ethical standards), and ensure that obligations to the Shareholders and others are understood and met; and
- consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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. All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

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

The Company had appointed Mr Ang Wei Chuan as an Independent Director on 14 January 2016. When the existing directors were appointed, they were briefed by Management on the business activities and strategic directions of the Group. Directors have open access to all relevant information, including discussions with Management and subject matter experts, and visits to operations. Directors may meet independently with Management at any time to discuss areas of interest or concern. They were also briefed and provided with information relating to corporate conduct and governance including continuing disclosure requirements of the Company under the Listing Manual; disclosure of interests in securities; restrictions on disclosure of confidential or price sensitive information. The Directors are encouraged to participate in continuous professional development to develop and refresh their skills. They have attended presentations, participated in site-visits and received briefings and updates relevant to the Group's businesses and/or to the Directors' duties and responsibilities. The Directors are also provided with opportunities for continuing education in areas such as directors' duties and responsibilities, corporate governance, so as to update them on matters that affect or may enhance their performance as Board or Board committee members.

Generally, a formal letter is provided to each Director upon his appointment, setting out the Director's duties and obligations.

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

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.

The numbers of Board and Board Committees meetings held during the financial year ended 31 December 2015 ("FY2015") and the attendance of Directors during these meetings are set out as follows:

Name of Directors	**Board Meeting**		**Audit Committee Meeting**		**Remuneration Committee Meeting**		**Nominating Committee Meeting**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr. Lin Shaoxiong	4	4	4	4*	1	–	1	–
Mr. Lin Shaoqin	4	1	4	1*	1	–	1	–
Ms. Lai Chin Yee(1)	4	1	4	1	1	1	1	1
Mr. Ang Wei Chuan(2)	4	–	4	–	1	–	1	–
Mr. Tham Hock Chee	4	4	4	4	1	1	1	1
Mr. Lim Kim Huat	4	4	4	4	1	1	1	1

Note:

(1) Ms. Lai Chin Yee retired as the Independent Director on 30 April 2015.
(2) Mr. Ang Wei Chuan appointed as the Independent Director on 14 January 2016.
* By Invitation

BOARD COMPOSITION AND GUIDANCE

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 and 10% shareholders. 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. The NC's review of the independence of each Director for FY2015 is based on the Code's definition of what constitutes an Independent Director. With three of the Directors deemed to be independent, the NC is of the view that the Board is able to exercise objective judgement on corporate affairs and provide the Management with a diverse and objective perspective on issues, and further, that no individual or small group of individuals dominate the Board's decision making process.

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 and its Board Committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge to enable the Board to make sound and well-considered decisions.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed on the strength of his/her calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company.

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

None of our Directors has served on our Board beyond nine years from the date of his/her first appointment.

The Independent Directors are encouraged to meet, without the presence of Management, and do so at least once a year, so as to be a more effective check on Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business with clearly defined lines of responsibility between the Board and executive functions of the management of the Group's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of the performance of the executive management on a periodic basis.

Mr. Lin Shaoxiong is our Executive Chairman and Chief Executive Officer ("CEO"). In view of Mr. Lin Shaoxiong's concurrent appointment as our Executive Chairman and CEO, we have appointed Mr. Ang Wei Chuan as our Lead Independent Director. The Lead Independent Director is 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 role includes:

- lead the Board to ensure its effectiveness on all aspects of its role;
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and debate at the Board;
- ensure that the Directors receive complete, adequate and timely information;
- ensure effective communication with Shareholders;
- encourage constructive relations within the Board and between the Board and Management;
- facilitate the effective contribution of Directors, in particular, non-executive Directors; and
- promote high standards of corporate governance.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

BOARD MEMBERSHIP

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

Nominating Committee

The NC comprises the following Non-Executive and Independent Directors:

Mr. Lim Kim Huat (Chairman)
Mr. Tham Hock Chee
Mr. Ang Wei Chuan

The NC meets at least once annually and had full attendance by its committee members during FY2015. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company. The Lead Independent Director is a member of the NC.

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

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

- 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 and deciding on what it considers an appropriate size for the Board which facilitates effective decision making. The NC may make recommendations to the Board with regards to any adjustments that are deemed necessary;

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

- to review and make recommendations to the Board on board succession plans for Directors, in particular, the Chairman of the Board and for the CEO;

- to determine, on an annual basis, and as and when circumstances require, if a Director is independent in character and judgement and whether there are relationships, or circumstances which are likely to affect, or could appear to affect, the Director's judgement bearing in mind the circumstances set forth in Guideline 2.3 and 2.4 of the Code and other salient factors;

- to decide if a Director is able to and has been adequately carrying out his/her duties as a Director, taking into consideration the Director's number of listed company board representations and other principle commitments;

- to make recommendations to the Board on the maximum number of listed company board representations which any Director may hold;

- to assist the Board by undertaking a particularly rigorous review of the independence of any Director who has served on the Board beyond 9 years from the date of his first appointment and to provide its views to the Board as to why such a Director should be considered independent for the Board's consideration;

- to consult with the Chairman of the Board when he acts on the results of the performance evaluation and, where appropriate, proposes new members to be appointed to the Board or seeks the resignation of Directors;

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

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

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

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

Under the Company's Bye-laws, any Director appointed by the Board shall retire at the next annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Each Director shall retire at least once every three years and is eligible for re-election. The retiring Directors for FY2015 are Mr. Ang Wei Chuan, who will retire pursuant to Bye-law 85(6) of the Company's Bye-laws; and Mr. Lin Shaoqin and Mr. Tham Hock Chee, who will retire pursuant to Bye-law 86(1) of the Company's Bye-laws. The Board has accepted the NC's recommendations for the retiring Directors for FY2015.

Mr. Tham Hock Chee has expressed to the Board that he will not be seeking for re-election as a Director at the forthcoming AGM due to personal commitments and the Board has noted his desire and would like to express their appreciation to Mr. Tham Hock Chee for his past contributions to the Company. Upon Mr. Tham Hock Chee relinquishing his directorship in the Company, he will also cease to be the Chairman of the RC and a member of the AC and NC.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

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 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.

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 Guidelines 2.3 and 2.4 the Code and any other salient factors. Following its annual review, the NC has endorsed the independence of the following Directors, Mr. Lim Kim Huat, Mr. Tham Hock Chee and Mr. Ang Wei Chuan.

Notwithstanding that some of our Independent Directors has multiple board representations, he or she has sufficient time and given sufficient attention to the affairs of the Company. 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. The Board had accepted the NC's recommendation in 2015 that the maximum number of listed company board representations that a Director may hold is 4.

No alternate directors has been appointed to the Board.

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

The Board has implemented a process carried out by the NC 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. Each year, each Director is requested to complete a comprehensive evaluation questionnaire with regard to board performance. The aim of the questionnaire is to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties).

The questionnaire covers various aspect of board effectiveness, including:

- effectiveness of discussions and debate;
- elationship between the Board and Management, including the flow of information and level of engagement;
- the level and quality of Directors' contributions and standard of conduct;
- Board processes, including level and timeliness of information provided to the Board;
- adequacy of composition of the Board; and
- degree of diversity of skills, experience and knowledge of Directors.

The responses to the questionnaire will be collated and reviewed by the NC and the NC will make its recommendation to the Board.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2015, is of the view that the performance of the Board as a whole has been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used in the evaluation process.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to senior Management and the Company Secretary at all times in carrying out their duties. Requests for information from the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. Directors are given Board papers, background or explanatory information, including risk, benefits, and financial impact, relating to matters to be brought before the Board, in advance of meetings for them to be adequately prepared for meetings and senior Management is, where necessary, in attendance at the Board meetings. The Company Secretary attends Board meetings and meetings of the AC, NC and RC when invited. Thereafter, the Company Secretary or her representatives 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. The appointment and removal of the Company Secretary should be a matter for the Board as a whole.

The Directors have, individually or as a group, the right to seek independent legal and other professional advice, where necessary, in order to fulfill his duties and responsibilities as Director. Any expense incurred in this aspect shall be borne by the Company.

(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:

Mr. Tham Hock Chee (Chairman)
Mr. Lim Kim Huat
Mr. Ang Wei Chuan

The principal responsibilities of the RC are:

- to review and submit its recommendations for endorsement by the Board, a general framework of remuneration for the Board and the key personnel, such framework should include appropriate and meaningful measures of assessing Executive Directors and key management personnel's performance;
- to review and submit its recommendations for endorsement by the Board, the specific remuneration packages and terms of employment (where applicable) for each Director and key management personnel. In particular, the Independent Directors on the RC shall review and approve annually all aspects of remuneration of the Directors and key management personnel and other employees, who are related to the substantial shareholders and Directors;

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

- to review and submit its recommendations for endorsement by the Board, whether Executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes;

- to consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such nonexecutive Directors with the interest of shareholders;

- to review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance;

- to ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

- to carry out its duties as it deems expedient to discharge its duties under the Code, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

The RC meets at least once annually and had full attendance by its committee members during FY2015. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members.

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

Having considered the matter, the RC has not sought external advise on remuneration of all Directors.

The RC reviews the terms and conditions of service agreements of the Executive Directors before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of these service agreements, to ensure that such agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a significant and appropriate proportion of executive compensation to the individual and the Group's performance. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for compensation to be symmetric with risk outcomes and the time horizon of risks. In assessing executive Directors' and key management personnel's performance, the RC considers appropriate and meaningful measures. Further, in considering whether the compensation is appropriate for Independent Directors, the RC takes into account factors such as effort and time spent, and responsibilities of the Directors; and the principal that Independent Directors should not be over-compensated to the extent that their independence might be compromised. The RC's recommendation will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The Company has established the China Sports Employee Share Option Scheme (the "ESOS") in 2010 as a long-term incentive scheme for directors and employees of the Group. The RC is tasked to review the grant of options under the ESOS. The ESOS is also a scheme under which Independent Directors can be encouraged to hold Shares so as to better align their interests with those of the Shareholders. The Company has to date, not granted any options.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for FY2015, are as follows:

Directors	Salary %	Bonus %	Benefit %	Director Fees %	Total %	Total
Below $250,000						
Mr. Lin Shaoxiong	100	–	–	–	100	RMB268,000
Mr. Lin Shaoqin	100	–	–	–	100	RMB150,000
Ms. Lai Chin Yee[(1)]	–	–	–	100	100	S$19,333
Mr. Ang Wei Chuan[(2)]	–	–	–	–	–	–
Mr. Tham Hock Chee	–	–	–	100	100	S$50,000
Mr. Lim Kim Huat	–	–	–	100	100	S$50,000

Note:

(1) Ms. Lai Chin Yee retired as the Independent Director on 30 April 2015.

(2) Mr. Ang Wei Chuan appointed as the Independent Director on 14 January 2016.

FY2015, the Company only identified three key management personnel (who are not the Director or the CEO) and their remuneration for FY 2015 are set out below:

Key Management Personnel	Salary %	Bonus %	Benefit %	Total %	Total
Below $250,000					
Mr. Kang Weisheng	65	15	20	100	RMB180,000
Mr. Xie Liangchen	65	15	20	100	RMB161,350
Mr. Fu Chengzhong	65	15	20	100	RMB142,650
Mr. Ang Suk Ching[(1)]	100	0	0	100	S$36,000

Note:

(1) Mr. Ang Suk Ching resigned as the Chief Financial Officer on 3 July 2015.

The aggregate amount of any termination (on the assumption that any termination by the Group would be with notice as contractually provided for and excluding termination by reason of redundancy), retirement and post-employment benefits that may be granted to Directors (including the chief executive officer (the "CEO") and the top five key management personnel (who are not Directors or the CEO) is nil.

The aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) for FY2015 is approximately RMB 484,000.

Immediate family members of Directors or CEO

Mr. Lin Shaoxiong and Mr. Lin Shaoqin are brothers, during FY2015, Mr. Lin Sharqin's remuneration is RMB150,000 which did not exceed S$50,000 during the financial year under review.

Save for the above disclosure, there were no employees of the Company was an immediate family member of Directors or the CEO and whose remuneration exceeded S$50,000 during the financial year under review.

Employee Share Option Scheme

On 6 November 2010, the shareholders of the Company approved the adoption of the ESOS, which complied with Chapter 8, Part VIII of the Listing Manual of the SGX-ST. The principal terms of the ESOS are as follows:

- the total number of Shares in respect of which options may be granted under the ESOS (the "ESOS Shares") (the "Options") on any date, when added to the number of (a) ESOS Shares issued and issuable and/or transferred and transferable in respect of all Options granted under the ESOS; and (b) all Shares issued and issuable in respect of all options or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) on the day immediately preceding that date;

- the exercise price of Options granted will be determined by the RC, subject to a maximum discount not exceeding 20% of the Market Price. "Market Price" being the last dealt price per Share determined by reference to the daily Official List published by the SGX-ST for a period of 3 consecutive market days immediately prior to the date of grant; and

- Options granted with the exercise price set at Market Price may be exercised after the first anniversary of the grant and expiring on the 10th anniversary. Options granted at a discount to the Market Price may be exercised after the second anniversary of the grant and expiring on the 10th anniversary Provided Always that an Option shall be exercised before the end of 120 months (or 60 months where the participant is a Group non-executive director) of the grant and subject to such other conditions as may be introduced by the RC from time to time.

(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.

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 Company circulates quarterly financial reports to the AC which includes the income statement, statement of financial positions, statement of comprehensive income and cash flow statement of the Group, transactions between the Group and any interested person (namely, any of the Directors or any of the Controlling Shareholders or any of their Associates) and latest corporate developments.

Having regard to limited resources of the Company, Management provides management accounts to the Board together with explanation and information on a quarterly basis, and also as and when the Board requires the same. These enable the Board to make balanced and informed assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Written policies are established where appropriate to ensure compliance by the Board with applicable legislative and regulatory requirements. For example, the Company has adopted a set of insider trading policy; and whistle-blowing policy.

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. In this regard, the Board:

- ensures that Management maintains a sound systems of risk management to safeguard Shareholders' interests and the Group's assets;

- determines the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;

- determines the Company's levels of risk tolerance and risk policies;

- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and

- reviews annually the adequacy and effectiveness of the risk management and internal control systems, including systems for compliance with applicable laws, regulations, rules directive and guidelines.

The Group faces a variety of risks including risks from the industry and geographic region in which it operates. The effective management of risks enhances the Company's ability to achieve its financial and operational goals, and to meet its legal and compliance responsibilities, thereby protecting and enhancing shareholder value. The Company's commitment is to manage the business risks to an acceptable level, so as to maximise opportunities and minimise negative outcomes. It should however be noted that the Company's risk management systems are designed to manage rather than to eliminate the risk. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against risks.

The Board will deliberate further the necessity of establishing a Board Risk Committee in 2016.

For the FY2015, the Board has received assurance from CEO of the Company that:

- the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the internal controls established and maintained by the Group, work performed by the external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) and relevant reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2015.

Principle 12: The Board should establish an Audit Committee 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:

Mr. Ang Wei Chuan (Chairman)
Mr. Tham Hock Chee
Mr. Lim Kim Huat

The AC meets regularly with the Group's external and internal auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. The AC met once with the external auditors without the presence of the Management during FY2015.

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. The AC Chairman has recent and relevant accounting or related financial management expertise or experience. As and when necessary or appropriate, the Company will engage external professionals to assist the AC.

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

- to review with the external auditors:

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

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

  (c) their audit report; and

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

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

- to review all 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, amongst other things, on the following:

  (a) significant financial reporting issues and judgements;

  (b) changes in accounting policies and practices;

  (c) major risk areas;

  (d) significant adjustments resulting from the audit;

  (e) the going-concern statement;

  (f) compliance with accounting standards;

  (g) audit qualifications (if any);

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

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

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

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

- to review the independence of the external auditors annually and to state in the annual report:

  (a) the aggregate amount of fees paid to the external auditors for that financial year; and

  (b) breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement;

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

- to review annually the scope and results of the external audit and the independence and objectivity of the external auditors;

- where the external auditors also provide a substantial volume of on-audit services to the Group, to review the nature and extent of such services in order to maintain objectivity, 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 or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff;

- to review and report to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties;

- 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 although the internal auditor would also report administratively to the Management;

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

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

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

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

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

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

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

- where appropriate, to update the SGX-ST on any findings of the independent accounting firm commissioned to review the adequacy of the Group's existing system of internal controls relating to transactions with IPTs to review procedures (in the event trade transactions with IPTs in aggregate account for more than 5% of the total sales or purchases in the preceding year, as the case may be), 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 Management to ensure that the Management is able to discharge the responsibilities effectively;

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

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

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

The AC also implements and administers 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 improprieties in matters of 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.

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of RT LLP ("RT") for re-appointment as external auditors of the Company at the forthcoming AGM. The external auditors do not provide non-audit services to the Company during FY2015. The aggregate fees paid to the external auditors comprise only fees for audit services which amounting to S$180,000.

Pursuant to Rule 712 of the Listing Manual, the Company has appointed RT as its external auditors having regard to, amongst other things, the following factors:

(a) its adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit;

(b) the firm's other audit engagements;

(c) the size and complexity of the Group; and

(d) the number and experience of supervisory and professional staff assigned to the particular audit.

In satisfaction of Rule 712 of the Listing Manual, RT is an auditing firm registered with the Accounting and Corporate Regulatory Authority ("ACRA").

Rule 715 provides that, subject to Rule 716 of the Listing Manual, the Company must engage a suitable auditing firm for its significant subsidiaries and associated companies.

Rule 716 of the Listing Manual further provides that the Company may appoint different auditing firms for the Company's subsidiaries or significant associated companies provided that:

(a) the Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit; or

(b) the Company's subsidiary or associated company is listed on a stock exchange.

The Company does not have any associated companies and none of the Company's subsidiaries are listed on a stock exchange. The Company's significant subsidiaries are 恒发(福建)轻工业发展有限公司 (Hengfa (Fujian) Light Industry Development Co., Ltd); and 野力体育(中国)有限公司 (YELI Sports (China) Co., Ltd.) (the "Significant Subsidiaries") and the Company's other subsidiaries include Theme Way and YELI HK, both of which are investment holding companies and not considered significant subsidiaries.

The Company's Significant Subsidiaries are audited by local audit firm, being福州鼓楼征安联合会计师事务所 (Zhengan Joint Certified Public Accountants) ("Zhengan"), to comply with local regulations. The financial statements of the Significant Subsidiaries are prepared in accordance with local Generally Accepted Accounting Principles (GAAP). As a Singapore registered firm, RT is not able to sign off the financial statements required by the local authorities according to local regulations. To this end, Zhengan will continue to be the statutory auditors of the Company's Significant Subsidiaries.

Notwithstanding that the Significant Subsidiaries will be audited by Zhengan, RT, as the Group's auditor, has and will also conduct a full scope audit of the PRC subsidiaries in accordance with the International Standards on Auditing (ISA) for consolidation purposes which audit will be performed to serve the objective of RT as group auditors of the Company, the Singapore-listed entity, and not for PRC reporting purposes. RT will perform the audit of the PRC subsidiaries in accordance with ISA on account balances, transactions and disclosures to obtain assurance as to compliance with International Financial Reporting Standards (IFRS) and to assess appropriateness of account balances, transactions and disclosures included in our group financial statements.

The Board and AC are satisfied that the continued appointment of Zhengan as statutory auditors of our Significant Subsidiaries will not compromise the standard and effectiveness of the audit of the Company and of the Group having regard to RT is also undertaking the audit of our Significant Subsidiaries in accordance with IAS, if they are re-appointed as our Auditors and the Company's experience with working with Zhengan.

The Company is in compliance with Rule 715 of the Listing Manual.

INTERNAL AUDIT

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

The Board understands the need for the Company to establish an internal audit function that is adequately resources and independent of the activities it audits. The internal audit team is expected to meet the standards set by nationally or internationally recognised professional bodied including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

During the financial year under review, the Company did not in place an internal audit function as the Group has been focusing on the audit reviews/works performed by the external auditors due to the Group's budget constraints for FY2015 . The Board will look into the possibility of outsourcing its internal audit function to a qualified professional as and when is appropriate. Such qualified professionals when engaged, will report directly to the AC on audit matter and report administratively to the Executive Chairman.

The Company's Management performed and implemented internal reviews, to ensure that the system of internal controls maintained 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.

The AC is satisfied that the effectiveness of the existing internal control systems put in place by the Management with the work performed by the external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) is adequate.

The AC would annually review the adequacy and effectiveness of the internal control systems of the Company.

The AC and the Board have reviewed the Company's risk assessment based on the reports and work performed by the external auditors and the management controls in place, the Board is of the opinion, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational, compliance and information technology risks to meet the needs of the Group in its current business environment, having regard to the scale and nature of the Group's business.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES; COMMUNICATION WITH SHAREHOLDERS; CONDUCT OF SHAREHOLDER MEETING

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company 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 price or value of Company's securities. The Company does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects in its announcements, including quarterly, half-year and full-year results and reports to regulators, if any, all of which are released through SGX-ST's website at SGXNet (www.sgx.com). Press releases are announced through SGXNet before they are published. The Company also strives to be as descriptive, detailed and forthcoming as possible. The Company has a policy that where there is inadvertent disclosure made to a selected group, the Company will ensure that the information is disclosed publicly to all others as soon as practicable. To date, there has not been any such inadvertent disclosures.

Before and after every general meeting, the Chairman and other members of the Board will engage in dialogue with Shareholders, to gather views or inputs, and address Shareholders' concerns. The Company also solicits the views of the Shareholders through analyst briefings and meetings with investors and fund managers. 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/. Shareholders and potential investors have 24-hour access to the Company's website which includes a dedicated Investor Relations link providing the Company's latest press releases and stock details. Enquiries may also be posed to our investor relations contact by mail, phone or email. The Company believes that all these accesses to information will facilitate the Shareholders in their exercise of their ownership rights.

All Shareholders will receive the annual report and notice of AGM. At general meetings of shareholders, the Shareholders will be given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC and NC will normally be present at the AGM to answer any questions relating to the work of these Board Committees. The external auditors will be also present at the AGM to answer questions from the Shareholders about the conduct of audit and the preparation and content of the Auditors' Report. To ensure that the Shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company has since 2011 been conducted by poll. The chairman of the meeting, with the assistance of service providers engaged by the Company, will brief shareholders to familiarise them with the detailed procedures involved in conducting a poll. An announcement of the detailed results of the poll showing the number of votes cast for and against each resolution and the respective percentages will be announced after the general meeting via SGXNet. Having undertaken a cost/benefit analysis, the Company has decided not to undertake polling by means of electronic polling at this juncture.

The Company records minutes of all general meetings and questions and comments from Shareholders together with the responses of the Board and Management. These are available to Shareholders at their request.

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). The Bye-laws of the Company allows a member of the Company with two or more Shares to appoint one or two proxies to attend and vote instead of the member. Further, where the member is a Central Depository (Pte) Ltd (or its nominee as notified in writing to the Company), it can appoint more than 2 proxies.

Subject to compliances to any relevant laws or regulations and the demand for voting in absentia, such as by mail, e-mail or fax, etc., the Company may evaluate the possibility of such voting method. In connection with such evaluation, careful study will have to be undertaken to ensure the integrity of the information and the authentication of the identity of members through the web is not compromised.

Separate resolutions are proposed at general meetings for approval for each substantially separate issue. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same. 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.

The Company does not have a policy on payment of dividends. Instead the issue of the payment of dividend is deliberated seriously and at length by the Board annually having regard to various factors. Dividends were not declared or paid for FY2015 as the Company made losses.

DEALINGS IN SECURITIES

The Company acknowledges the importance to adopt its own internal Code of Best Practices on Securities Transactions to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST.

The Company's internal code, Code of Best Practices on Securities Transactions by the Company and its Officers, provides guidance to all directors and officers of the Company that:

(a) officers should not deal in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

(b) the Company and its officers are prohibited from dealing in the Company's securities when the window period is closed. The window period is 'closed' commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year and one month before the announcement of the Company's financial statements for its full financial year, and ending after the announcement of the relevant results. Officers will be notified of the 'closed' window period by email or internal memo or notices.

MATERIAL CONTRACTS

Apart from those related party transactions disclosed in the (Note 29) 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 FY2015.

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

USE OF PLACEMENT PROCEEDS

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

The following table sets out the details of the utilisation of placement proceeds up to 31 December 2015:

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

INTERESTED PERSON TRANSACTIONS

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

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

Mr Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. The Group has not paid him any form of consideration for the provision of the personal guarantee.

In addition, Mr Lin Yongjian is the owner of certain intellectual property utilised in our breathable shoes. Mr Lin Yongjian has on a goodwill basis allowed our Group utilise his intellectual property till 30 September 2011. On 12 December 2011, our Group had entered a licensing agreement with Mr Lin Yongjian relating to the rights to utilise the technology of the breathable shoes (the “License”). The royalty fee payable for the License is calculated as a percentage of the revenue generated from the sale of breathable shoes; being 5% from 1 January 2012.

On 26 February 2013, the Company announced that it had signed an agreement with Licensor to extend the term of the License for a period of 6 months (1 January 2013 till 30 June 2013). The royalty fee to be paid during the extended period continues to be on the same terms in the Agreement but with an enlarged range of products to which our Group could utilise the technology.

By agreement, the Licence was further extended in August 2013 (for 12 months commencing 1 July 2013) and in August 2014 (for 6 months commencing 1 July 2014) on the same terms as set out in the License.

The following is the aggregate value of all transactions with IPTs for the financial year ended 31 December 2015:

Name of Interested Person	**Aggregate Value of all IPTs during the financial period under review**	
	Excluding transactions less than S$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920	**Under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	RMB	**RMB**
Lin Shaoxiong	–	–
Royalty fees payable to Lin Yongjian	39.9 million	–

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

In the opinion of the directors,

(b) the balance sheet of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(c) 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.

Name of directors

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

Mr Lin Shaoxiong
Mr Lin Shaoqin
Ms Lai Chin Yee (Lead Independent Director)，retired on 30 April 2015
Mr Ang Wei Chuan (Lead Independent Director), appointed on 14 January 2016
Mr Lim Kim Huat (Independent Director)
Mr Tham Hock Chee (Independent Director)

Arrangements to acquire shares or debentures

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

Directors' interest in shares or debentures

According to the declaration of directors' interest in the Company and its related corporations that the directors from time to time furnish to the Company, none of the directors who held office at the end of the financial year had any interest in shares or debentures of the Company and its related corporations except as follows:

	Number of ordinary shares of HK$0.04 each			
	Holding registered in the name of director or nominee		Holding in which director is deemed to have an interest	
The Company - China Sports International Limited	As at 01.01.2015	**As at 31.12.2015**	As at 01.01.2015	**As at 31.12.2015**
Mr Lin Shaoxiong	282,500,000	282,500,000	-	-
Mr Tham Hock Chee	150,000	150,000	-	-

Share options scheme

No options have been granted under the Scheme since its inception.

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

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

Audit Committee

The Audit Committee comprises the following members:

Ms Ang Wei Chuan (Chairman)
Mr Lim Kim Huat
Mr Tham Hock Chee

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

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

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

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 as well as the auditor's report thereon; and

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

The Audit 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 Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

Audit Committee (Cont'd)

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

Independent auditor

The independent auditor, RT LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
LIN SHAOXIONG

....
LIN SHAOQIN

Dated: 30 June 2016

INDEPENDENT
AUDITOR'S REPORT
to the members of China Sports International Limited

Report on the consolidated financial statements

We were engaged to audit 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 Group and the Company as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which states that the Group has recorded a loss before taxation of approximately RMB 559,755,000 for the financial year ended 31 December 2015 and recorded a net operating cash outflow of approximately RMB 351,656,000.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2015 is appropriate after taking into consideration the factor that the Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, Management has provide cash flow projections of the Group's future operations including information such as the current and expected profitability, debt repayment schedules, potential sources of replacement financing and future business plans etc., which shows the Group will have adequate working capital for its operation and will be able to meet its obligations as and when they fall due and considered as sufficient evidence regarding the appropriateness of using going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2015.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 30 June 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		The Company		The Group	
		31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Land use rights	4	**-**	-	**15,459**	15,822
Intangible assets and rights	5	**-**	-	**687**	1,248
Property, plant and equipment	6	**1**	13	**103,041**	113,749
Subsidiaries	7	**459,986**	459,986	**-**	-
Deferred tax asset	8	**-**	-	**44,244**	44,244
		459,987	459,999	**163,431**	175,063
Current Assets					
Inventories, at cost	9	**-**	-	**17,633**	26,111
Trade and other receivables	10	**9**	10	**221,857**	550,595
Amount due from subsidiaries	11	**90,047**	90,018	**-**	-
Pledged fixed deposits	12	**-**	-	**-**	45,875
Cash and bank balances	13	**16**	19	**154,427**	532,506
		90,072	90,047	**393,917**	1,155,087
Total assets		**550,059**	550,046	**557,348**	1,330,150
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**36,570**	36,570	**36,570**	36,570
Treasury shares	15	**(226)**	(226)	**(226)**	(226)
Reserves	16	**480,245**	483,721	**435,813**	996,191
Total equity		**516,589**	520,065	**472,157**	1,032,535
Non-Current Liabilities					
Deferred tax liability	8	**-**	-	**7,377**	7,377
Current Liabilities					
Trade and bills payables	17	**-**	-	**19,537**	147,534
Accrued liabilities and other payables	18	**9,795**	7,127	**58,277**	68,004
Amount due to subsidiaries	11	**23,675**	22,854	**-**	-
Bank borrowings	19	**-**	-	**-**	74,700
		33,470	29,981	**77,814**	290,238
Total equity and liabilities		**550,059**	550,046	**557,348**	1,330,150

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Revenue	3	**243,500**	825,883
Cost of sales		**(198,697)**	(669,593)
Gross profit		**44,803**	156,290
Other income	3	**792**	3,728
Selling and distribution costs	20	**(90,952)**	(45,274)
Administrative expenses		**(508,386)**	(91,252)
Finance costs	21	**(6,012)**	(7,892)
(Loss)/Profit before taxation	22	**(559,755)**	15,600
Taxation	23	**-**	(5,001)
Total (loss)/profit for the year		**(559,755)**	10,599
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
(Loss)/Gain in currency translation differences	24	**(623)**	(419)
Other comprehensive income for the year, net of tax		**(623)**	(419)
Total comprehensive income/ (loss) for the year		**(560,378)**	10,180
Earnings/(Loss) per share (RMB cents)	25		
- Basic and diluted		**(58.28)**	1.10

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital	Treasury shares	Share Premium (Note 16 a)	Merger reserve (Note 16 c)	Paid-in capital from exchange differences (Note 16 d)	Currency translation reserve (Note 16 e)	Statutory reserve (Note 16 b)	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	36,570	(226)	560,135	801	330	3,903	87,938	332,904	1,022,355
Total comprehensive income for the year	-	-	-	-	-	(419)	-	10,599	10,180
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	**36,570**	**(226)**	**560,135**	**801**	**330**	**3,484**	**87,938**	**343,503**	**1,032,535**
Total comprehensive income for the year	-	-	-	-	-	**(623)**	-	**(559,755)**	**(560,378)**
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	**36,570**	**(226)**	**560,135**	**801**	**330**	**2,861**	**87,938**	**(216,252)**	**472,157**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash Flows from Operating Activities		
(Loss)/ Profit before taxation	**(559,755)**	15,600
Adjustments for:		
Depreciation of property, plant and equipment	**10,708**	11,735
Amortisation of land use rights	**363**	363
Amortisation of intangible assets and rights	**561**	571
Impairment loss of trade receivables	**480,585**	61,397
Impairment loss of interest receivables	**-**	4,632
Unrealised exchange differences	**(498)**	(554)
Interest expense	**5,961**	7,892
Interest income	**(607)**	(3,208)
Operating (loss)/ profit before working capital changes	**(62,682)**	98,428
Change in operating assets and liabilities:		
- inventories	**8,478**	(5,939)
- trade and other receivables	**(151,847)**	(234,280)
- trade payables and bill payables	**(127,997)**	(16,496)
- other payables	**(12,254)**	4,719
Cash used in operations	**(346,302)**	(153,568)
Interest received	**607**	3,208
Interest paid	**(5,961)**	(7,892)
Net cash used in operating activities	**(351,656)**	(158,252)
Cash Flows from Investing Activities		
Refunds from investments	**-**	43,713
Acquisition of property, plant and equipment	**-**	(132)
Net cash generated from investing activities	**-**	43,581
Cash Flows from Financing Activities		
Decrease / (Increase) in fixed deposit pledged	**45,875**	(15,935)
Increase in amount owing to director	**2,527**	2,859
Proceeds from bank borrowings	**22,500**	104,300
Repayment of bank borrowings	**(97,200)**	(138,500)
Net cash used in financing activities	**(26,298)**	(47,276)
Net decrease in cash and cash equivalents	**(377,954)**	(161,947)
Cash and cash equivalents at beginning of year	**532,506**	694,301
Effect of exchange rates fluctuation	**(125)**	152
Cash and cash equivalents at end of year	**154,427**	532,506

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

1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

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

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

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

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations promulgated by the IFRS Interpretation Committee ("IFRIC") applicable to companies reporting under IFRS. 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.

<u>Going concern</u>

The Group has recorded a loss before taxation of approximately RMB 559,755,000 for the financial year ended 31 December 2015 and recorded a net operating cash outflow of approximately RMB 351,656,000. The financial statements have been prepared on the assumption that the Company and the Group will continue as going concern as the management believe that the Group continues to implement measures to tighten cost controls over various operating expenses in order to improve profitability and generate positive cash flows from operations. In this regard, Management has provide cash flow projections of the Group's future operations including information such as the current and expected profitability, debt repayment schedules, potential sources of replacement financing and future business plans etc., which shows the Group will have adequate working capital for its operation and will be able to meet its obligations as and when they fall due and considered as sufficient evidence regarding the appropriateness of using going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2015.

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

Going concern (Cont'd)

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS 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 end of the reporting period 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 judgement are described below:

Critical assumptions 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 2015 are RMB 963 and RMB 103,041,000 (2014- RMB 13,000 and RMB 113,749,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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

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

Allowance for inventory obsolescence

The Group reviews the aging analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items that are no longer suitable for sale. The carrying amounts of the Company's and the Group's inventory as at 31 December 2015 are RMB Nil and RMB 17,633,000 (2014 - RMB Nil and RMB 26,111,000) respectively. 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 carrying amounts of the Company's and the Group's trade and other receivable as at 31 December 2015 are RMB 9,732 and RMB 221,857,000 (2014 - RMB 10,000 and RMB 550,595,000) respectively. 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 the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Impairment of investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates. As at year ended 31 December 2015, cost of investment in subsidiaries amounting to RMB 459,986,000 (2014 - RMB 459,986,000).

Income taxes

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

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

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

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

2(b) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Company and the Group adopted the new or amended IFRS and IFRIC interpretations that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC interpretations.

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

2(c) IFRSs and IFRICs issued but not yet effective

Below are the mandatory new or amended IFRS and IFRIC interpretations that have been published, and are relevant for the Company's and the Group's accounting periods beginning on or after 1 January 2016 and which the Company and the Group have not early adopted:

Effective for the Company's and the Group's annual accounting period beginning on 1 January 2016

- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Various improvements to IFRSs (Annual Improvements 2012-2014)
    - Amendments to IFRS 7 Financial Instruments: Disclosures
    - Amendments to IAS 19 Employee Benefits
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for the Company's and Group's annual accounting period beginning on 1 January 2018

- IFRS 9 (2014) Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The directors do not anticipate that the adoption of the above new or amended IFRS in future periods will have a material impact on the financial statements of the Group and Company in the period of their initial adoption except for IFRS 15 and IFRS 9 (2014). Management is currently evaluating the potential impact of the application of IFRS 15 and IFRS 9 (2014) on the financial statements of the Group and of the Company in the period of their initial application.

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 7.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The use of merger accounting principles has resulted in a balance on Group capital and reserves that have been classified as a merger reserve and included in the Group's shareholders' funds. The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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

Please refer to the paragraph "Subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

Land use rights

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

Intangible assets and rights

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

Patents	10 years
Computer software	5 years
Licensing rights	4 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 and rights are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

2(d) Summary of significant accounting policies

Property, plant and equipment and depreciation

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

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

No depreciation is provided on construction work-in-progress.

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

Subsequent expenditure relating to property, plant and equipment 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 period in which it is incurred.

For acquisition and disposal during the period, with the exception of outlet fixtures, depreciation is provided from the month of acquisition and to the month before disposal respectively. In the case of outlet fixtures, depreciation is provided from the year of acquisition and to the year of disposal. 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

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

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on weighted average cost model, and include all costs in bringing the inventories to their present location and condition. Cost incurred in bringing each product to its present location and conditions are accounted as follows:

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

Financial assets

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

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

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

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

Loans and receivables

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

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

Provisions

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

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

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

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of fixed deposit pledged to the bank for banking facilities.

Share capital and treasury shares

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

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

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

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

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, 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 the bye-laws of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

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

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

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss 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 profit or loss when the liabilities are derecognised as well as through the amortisation process.

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 end of the reporting period are included in non-current borrowings in the statement of financial position.

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

Research costs

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

Income tax

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

The PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

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

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

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

Deferred income tax is measured:

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

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

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

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

Value added tax

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

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

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

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

Borrowing cost

Borrowing costs are recognised in profit or loss using the effective interest rate method.

Employee benefits

Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries 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 profit and loss as incurred.

There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Employee leave entitlements

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

Key management personnel

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. 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 the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

Impairment of non-financial assets (Cont'd)

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Revenue recognition

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

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

Currency translation

<u>Functional and presentation currency</u>

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

<u>Transactions and balances</u>

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 profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

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

Currency translation (Cont'd)

Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

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

Group entities

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

(i) Assets and liabilities are translated at the closing rate at the end of the reporting period;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the translation dates, in which case income and expenses are translated using the exchange rates at the dates of the transaction); and
(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Operating leases

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

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

Operating segments

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

3 Revenue and other income

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

The Group	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Revenue		
Sale of goods	**243,500**	825,883
Other income		
Interest income	**607**	3,208
Government subsidies/rewards	**-**	50
Sundry income	**185**	470
	792	3,728

4 Land use rights

The Group	RMB'000
Cost	
At 1 January 2014 and 31 December 2014	18,173
At 31 December 2015	**18,173**
Accumulated amortisation	
At 1 January 2014	1,988
Amortisation for the year	363
At 31 December 2014	2,351
Amortisation for the year	**363**
At 31 December 2015	**2,714**
Net book value	
At 31 December 2015	**15,459**
At 31 December 2014	15,822

Land use rights held by the Group with net book value of RMB 2,248,000 as at 31 December 2014 were pledged to a bank to secure bank borrowings granted to the Group (Note 19).

5 Intangible assets and rights

The Group	Patents RMB'000	Licensing rights RMB'000	Computer Software RMB'000	Total RMB'000
Cost				
At 1 January 2014 and 31 December 2014	77	2,555	219	2,851
At 31 December 2015	**77**	**2,555**	**219**	**2,851**
Accumulated amortisation				
At 1 January 2014	72	775	185	1,032
Amortisation for the year	2	547	22	571
At 31 December 2014	74	1,322	207	1,603
Amortisation for the year	**2**	**547**	**12**	**561**
At 31 December 2015	**76**	**1,869**	**219**	**2,164**
Net book value				
At 31 December 2015	**1**	**686**	**-**	**687**
At 31 December 2014	3	1,233	12	1,248

Licensing rights relates to trademark that were licensed by Group under a licensing agreement with a third party intellectual property owner which the Group can use on its kids footwear.

6 Property, plant and equipment

The Company	Furniture, fixtures and office equipment RMB'000
Cost	
At 1 January 2014	193
Additions	20
At 31 December 2014 and 31 December 2015	**213**
Accumulated depreciation	
At 1 January 2014	135
Depreciation	65
At 31 December 2014	200
Depreciation	**12**
At 31 December 2015	**212**
Net book value	
At 31 December 2015	**1**
At 31 December 2014	13

The Group	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Outlet fixtures RMB'000	Total RMB'000
Cost						
At 1 January 2014	130,008	41,321	5,254	1,672	141,243	319,498
Additions	-	30	102	-	-	132
Transfer	-	-	-	-	(141,243)	(141,243)
At 31 December 2014 and 31 December 2015	**130,008**	**41,351**	**5,356**	**1,672**	**-**	**178,387**
Accumulated depreciation						
At 1 January 2014	24,440	23,720	4,146	1,541	140,299	194,146
Depreciation	6,933	3,618	240	-	944	11,735
Disposal	-	-	-	-	(141,243)	(141,243)
At 31 December 2014	31,373	27,338	4,386	1,541	-	64,638
Depreciation	**6,850**	**3,618**	**240**	**-**	**-**	**10,708**
At 31 December 2015	**38,223**	**30,956**	**4,626**	**1,541**	**-**	**75,346**
Net book value						
At 31 December 2015	**91,785**	**10,395**	**730**	**131**	**-**	**103,041**
At 31 December 2014	**98,635**	**14,013**	**970**	**131**	**-**	**113,749**

Building held by the Group at net book value of RMB 32,414,000 as at 31 December 2014 was pledged to a bank to secure bank borrowings granted to the Group (Note 19).

7 Subsidiaries

The Company	31 December 2015 RMB'000	31 December 2014 RMB'000
Unquoted equity investment, at cost	**18,072**	18,072
Amounts due from subsidiaries on long-term loan account	**441,914**	441,914
	459,986	459,986

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

Amount due from subsidiaries are denominated in the following currencies:

The Company	31 December 2015 RMB'000	31 December 2014 RMB'000
Renminbi	**330,231**	330,231
Singapore dollar	**111,683**	111,683
	441,914	441,914

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		31/12/2015 RMB'000	31/12/2014 RMB'000	**31/12/2015 %**	31/12/2014 %	
Held by the Company:						
Theme Way Limited [1]	Hong Kong	**18,072**	18,072	**100**	100	Investment holding
Held by Theme Way Limited:						
Hengfa (Fujian) Light Industry Development Co., Ltd 恒发(福建)轻工业发展有限公司 ("Hengfa Light Industry") [2]	The People's Republic of China	**-**	-	**100**	100	Design, manufacture and sale of sports fashion footwear
YELI (Hong Kong) Company Limited ("YELI Hong Kong") [1]	Hong Kong	**-**	-	**100**	100	Investment holding
YELI Sports (China) Co., Ltd 野力体育 (中国）有限公司 ("YELI China") [2]	The People's Republic of China	**-**	-	**100**	100	Design and sale of sports fashion footwear, apparel and accessories

(1) No audit requirement in the country of incorporation for dormant company and subject to approval by local tax authority. Reviewed by RT LLP for Group reporting purposes.

(2) Audited by 福州鼓楼征安联合会计事务所 for statutory reporting in PRC and RT LLP for Group reporting purposes.

8 Deferred tax assets and liabilities

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

The Group	**31 December 2015 RMB'000**	**31 December 2014 RMB'000**
Deferred tax assets		
Balance at beginning	**(44,244)**	(49,245)
(Charged)/ Credited to profit or loss (Note 23)	**-**	5,001
Balance at end	**(44,244)**	(44,244)
Deferred tax liabilities		
Balance at beginning and at end	**7,377**	7,377

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

According to the Corporate Income Tax Law and its Implementation Rules, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. For the Group, the applicable rate for withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by the subsidiaries established in PRC in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. No deferred tax liabilities has been recognized for current year as the PRC subsidiaries does not intend to declare dividend for the foreseeable future due to loss making in current period.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through taxable profit is probable. The related deferred tax benefits of tax losses for the financial year ended 31 December 2015 of RMB 559,755,000 (2014-RMB 175,567,000) have not been recognized in the financial statement which subject to approval by PRC Tax authority.

9 Inventories, at cost

The Group	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Raw materials	**4,223**	7,130
Work-in-progress	**6,554**	9,520
Finished goods	**6,856**	9,461
	17,633	26,111
Cost of inventories included in cost of sales	**165,117**	562,166

10 Trade and other receivables

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Trade receivables - third parties-net	**-**	-	**82,541**	429,904
Other receivables	**-**	-	**1,977**	275
Advances to suppliers	**-**	-	**26,239**	37,906
Prepayments	**9**	10	**111,100**	82,510
	9	10	**221,857**	550,595

Trade receivables generally have credit terms of 90days (2014 - 90 days).

Trade receivables amounting to RMB Nil (2014-RMB 8,247,151) is pledged to secure bank borrowings granted to the Group (Note 19).

Advances to suppliers relate to deposit given to suppliers to secure raw materials.

Prepayments relate to the prepaid advertising and e-commerce expenses amounting to RMB 20,100,000 (2014-RMB 27,510,000), prepayment made to an academic researcher to conduct a long term strategic course for key management and main distributors which included an on-going monitoring program amounting to RMB 36,000,000 (2014-RMB Nil) and refundable deposit amounting to RMB 55,000,000 (2014-RMB 55,000,000) paid to the Anhui(Province of PRC) government in relation to the proposed acquisition of land.

All trade receivables are located in the PRC.

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Trade receivables - third parties	**-**	-	**563,126**	491,301
Less:	**-**	-		
Allowance for impairment of receivables (Note 22)	**-**	-	**(480,585)**	(61,397)
Trade receivables-net	**-**	-	**82,541**	429,904

Trade and other receivables are denominated in Renminbi.

Allowance for impairment of receivables relate to thirty-seven trade receivables which management foresee cannot be recovered in the next twelve (12) months from the end of the reporting period.

11 Amount due from / (to) subsidiaries

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

Amounts due from subsidiaries are denominated in the following currencies:

The Company	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Singapore dollar	**25,134**	25,105
Renminbi	**64,913**	64,913
	90,047	90,018

11 Amount due from / (to) subsidiaries (Cont'd)

The amounts due to subsidiaries are denominated in the following currencies:

The Company	**31 December 2015 RMB'000**	31 December 2014 RMB'000
United States dollar	**18,084**	17,330
Renminbi	**5,591**	5,524
	23,675	22,854

12 Pledged fixed deposits

The fixed deposits are pledged to a bank to secure a banking facility granted to subsidiaries (Note 17). The fixed deposits have an effective interest rate of 3.00% per annum (2014 - 3.00% per annum).

Fixed deposits are denominated in Renminbi.

13 Cash and bank balances

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Cash at bank	**-**	19	**154,409**	532,494
Cash on hand	**16**	-	**18**	12
	16	19	**154,427**	532,506

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

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Hong Kong dollar	**-**	-	**1**	129
Renminbi	**-**	-	**154,410**	532,358
Singapore dollar	**16**	19	**16**	19
United States dollar	**-**	-	**-**	-
	16	19	**154,427**	532,506

The effective interest rate for bank deposits is 0.35 % per annum (2014 - 0.35% per annum).

14 Share capital

The Company and The Group	←--- No. of ordinary shares --→		←-------------- Amount -------------→	
	31 December 2015 '000	31 December 2014 '000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Issued and fully paid:				
Balance at beginning and end of year	**962,125**	962,125	**36,570**	36,570

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

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

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

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

15 Treasury shares

The Company and The Group	←--- No. of ordinary shares --→		←-------------- Amount -------------→	
	31 December 2015 '000	31 December 2014 '000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
At beginning and end of year	**587**	587	**226**	226

16 Reserves

		The Company		The Group	
	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Share premium	(a)	**560,135**	560,135	**560,135**	560,135
Statutory reserve	(b)	**-**	-	**87,938**	87,938
Merger reserve	(c)	**-**	-	**801**	801
Paid-in capital from exchange differences	(d)	**330**	330	**330**	330
Currency translation reserve	(e)	**2,892**	3,829	**2,861**	3,484
(Accumulated losses) /Retained profits		**(83,112)**	(80,573)	**(216,252)**	343,503
		480,245	483,721	**435,813**	996,191
Represented by:					
Distributable		**(83,112)**	(80,573)	**(216,252)**	343,503
Non-distributable		**563,357**	564,294	**652,065**	652,688
		480,245	483,721	**435,813**	996,191

16 Reserves (Cont'd)

(a) Share premium

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

(b) Statutory reserve

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

(c) Merger reserve

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

(d) Paid-in capital from exchange differences

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

(e) Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of foreign subsidiaries' assets and liabilities whose functional currencies are different from the presentation currency of the Group and the difference in carrying value of quasi-equity investment in the Company's book for the financial year ended 31 December 2015.

17 Trade and bills payables

The Group	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Trade payables	**19,537**	**55,784**
Bills payables	**-**	**91,750**
	19,537	**147,534**

Trade payables generally have credit terms of 30 days (2014 - 30 days).

Bills payables are secured by fixed deposits pledged to a bank (Note 12).

18 Accrued liabilities and other payables

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Accrued liabilities	**1,420**	1,899	**7,256**	10,230
Amount owing to director	**3,822**	4,195	**8,014**	5,488
Other payables	**4,553**	1,033	**41,506**	48,042
VAT payable	**-**	-	**1,501**	4,244
	9,795	7,127	**58,277**	68,004

Amount owing to director and subsidiary's director are unsecured, interest free and repayable on demand.

Included in other payables is the royalties fee of RMB 39,850,000 (2014 - RMB 31,689,000) on technology license contract payable to a related party (parent of the subsidiary's directors).

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

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Hong Kong dollar	**110**	510	**1,456**	1,439
Renminbi	**3,511**	3,542	**51,472**	63,491
Singapore dollar	**5,346**	3,075	**5,349**	3,074
	8,967	7,127	**58,277**	68,004

19 Bank borrowings

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Bank borrowings (secured)	**-**	-	**-**	74,700
Bank borrowing (unsecured)	**-**	-	**-**	-
	-	-	**-**	74,700

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

(i) Assets of the Group's subsidiaries and guaranteed by a director

(ii) Mortgage of land use right (Note 4) and a factory building (Note 6); and

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

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
At effective interest rate of 6.691 % per annum (2014 - 6.694 % per annum)		-	**-**	74,700

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

20 Selling and distribution costs

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Salaries and related cost	**2,891**	3,940
Advertisement	**11,310**	33,523
Subsidies to distributors	**66,500**	-
Depreciation of outlet fixtures	**-**	943
Product sales tax supplement	**1,221**	4,236
Others	**9,030**	2,632
	90,952	45,274

During the financial year ended 31 December 2015, the Group had provided RMB 66,500,000 to help to subsidise the distributors in closing their stores which mainly comprise of restoration fee. This was part of the Group's effort to reform its business for the future.

21 Finance costs

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank Borrowings handling fee	**51**	-
Interest charges on bank borrowings	**5,961**	7,892
	6,012	7,892

22 (Loss)/Profit before taxation

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
Amortisation of land use rights	**363**	363
Amortisation of intangible assets and rights	**561**	571
Audit fees paid/payable to		
- auditors of the Company	**1,242**	958
Depreciation of property, plant and equipment	**10,708**	11,375
Directors' fees - directors of the Company	**1,436**	2,325
Exchange loss / (gain)	**246**	(469)
Minimum lease payments under operating leases	**960**	960
Impairment loss of trade receivables	**480,585**	61,397
Impairment loss of interest receivables	**-**	4,632
Research expenses	**3,422**	6,820
Staff costs:		
Directors' remuneration other than fee		
- directors of the Company	**354**	354
- retirement scheme contribution	**64**	66
Key management personnel (other than directors)		
- salaries, wages and related costs	**413**	419
- retirement scheme contribution	**71**	80
Other than key management personnel		
- salaries, wages and related costs	**39,335**	53,294
- retirement scheme contribution	**8,852**	14,571
	49,089	68,784

23 Taxation

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

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Current income tax on:		
Profit arising from operation in the PRC (Note 9)	-	5,001
	-	5,001
(Loss)/Profit before taxation	(559,755)	15,600
Tax at statutory rate of 25% (2014 – 25%)	(139,939)	3,900
Tax effect on unutilised tax losses not recognized as deferred tax assets	136,905	-
Tax effect on non-taxable income	-	(350)
Tax effect on non-deductible expenses	3,034	1,451
	-	5,001

No provision for Singapore tax has been made as the Company did not derive taxable income in Singapore in the financial year. Wholly foreign-owned enterprises are subject to the PRC state and local income tax rates pursuant to the income tax laws of the PRC for foreign investment enterprises and foreign enterprises (the "Tax Laws").

The related deferred tax benefits of approximately RMB 136,905,000 (2014-RMB Nil) arising from the unutilised tax losses have not been recognised in the financial statements in accordance with Note 2 – Income tax to the financial statements. Deferred tax benefits have not been recognised in respect of the tax losses due to uncertainty of realisation.

24 Other comprehensive income after tax

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

The Group	RMB'000 Loss Before tax	RMB'000 Tax expenses	RMB'000 Net of tax
31 December 2015			
Currency translation differences	(623)	-	(623)
31 December 2014			
Currency translation differences	(419)	-	(419)

25 (Loss)/ Earnings per share

The Group

The basic and diluted earnings per share are calculated based on the consolidated profits on the weighted average number of shares in issue of 961,538,000 shares (2014 - 961,538,000 shares) during the financial year. There is no potential dilution on earnings for the relevant financial years.

26 Dividends

The Directors did not declare any dividend for the financial period ended 31 December 2015 (2014: Nil).

27 Related party transactions

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

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Royalty fees on Technology License Contract payable to a related party (parent of the subsidiary's directors)	**39,850**	31,689

28 Commitments

28.1 Capital commitments

Capital expenditure contracted but not provided for in the financial statements are as follows:

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	**24,620**	-

28.2 Operating leases commitments

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

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**960**	960
In the second to fifth years	**-**	-
	960	960

The leases on the Group's office and hostel, and factory premises on which rentals are payable will expire on 31 December 2016. The current rent payable is RMB 80,000 per month.

29 Operating segments

For management purposes, the Group is organised into two reportable operating segments, which are footwear as well as 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 financing and income taxes are managed on a 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 transactions with third parties, if any.

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group's total revenue.

29 Operating segments (Cont'd)

The segment information provided to the management for the reportable segments is as follows:

	Footwear		Apparel and accessories		Total	
	31/12/2015 RMB'000	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000
Segment Revenue	**243,500**	766,566	-	59,317	**243,500**	825,883
Segment Results	**(461,452)**	73,239	-	4,352	**(461,452)**	77,591
Interest income					**607**	3,208
Unallocated other income					**185**	520
Unallocated expenses					**(93,083)**	(57,827)
Finance cost					**(6,012)**	(7,892)
Operating (loss) / profit					**(559,755)**	15,600
Income tax credit / (expenses)					**-**	(5,001)
Net (loss) / profit					**(559,755)**	10,599
Other information						
Capital expenditures	**-**	123	**-**	9	**-**	(132)
Depreciation of property, plant and Equipment	**(10,708)**	(11,667)	**-**	(68)	**(10,708)**	(11,735)
Amortisation of land use rights and Intangibles	**(925)**	(932)	**-**	(2)	**(925)**	(934)
Impairment loss on						
- trade receivables	**(480,585)**	(61,397)	**-**	-	**(480,585)**	(61,397)
- Interest receivables	**-**	(3,695)	**-**	(938)	**-**	(4,633)

	Footwear		Apparel and accessories		Total	
	31/12/2015 RMB'000	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000
Segment assets	**358,677**	668,079	**-**	39,446	**358,677**	707,525
Segment liabilities	**(77,814)**	(200,057)	**-**	(15,481)	**(77,814)**	(215,538)

The Group	**31/12/2015 RMB'000**	31/12/2014 RMB'000
Reported segment assets are reconciled to total assets as follows:		
Segment assets	**358,677**	707,525
Cash and bank balances	**154,427**	532,506
Pledged fixed deposits	**-**	45,875
Deferred tax asset	**44,244**	44,244
Total assets	**557,348**	1,330,150
Reported segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**77,814**	215,538
Bank borrowings	**-**	74,700
Deferred tax liability	**7,377**	7,377
Total liabilities	**85,191**	297,615

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

30 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 2015, the Group's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables (excluding advances to suppliers and prepayments), trade and bill payables, accrued liabilities and other payables, and bank borrowings.

30.1 Foreign currency risk

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

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

As at 30 September 2015, the non-Renminbi assets and liabilities of the Company and the Group are mainly bank deposits and non-trade payables in Singapore dollar. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

Sensitivity analysis for foreign currency risk

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

		As at 31 December 2015 RMB'000		As at 31 December 2014 RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5% (2014 - 5%)	**+15**	**+15**	+30	+30
	- weakened 5% (2014 - 5%)	**-15**	**-15**	-30	-30

30.2 Interest rate risk

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

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

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

30.2 Interest rate risk (Cont'd)

The Group

31 December 2015	Note	Effective interest rate %	Total RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000
Financial assets					
Pledged fixed deposits	12	-	-	-	-
Financial liabilities					
Bank borrowings	19	-	-	-	-
31 December 2014					
Financial assets					
Pledged fixed deposits	12	3.00	45,875	45,875	-
Financial liabilities					
Bank borrowings	19	6.69	74,700	74,700	-

The Company and the Group are not exposed to any cash flows risk as they do not have any monetary financial instruments with variable interest rates.

30.3 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 institutions in the PRC.

For trade receivables, management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an on-going basis. With this credit evaluation process, credit control policies and collection procedures in place, the credit risk is mitigated substantially.

The Group performs on-going 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.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due but not impaired

The age analysis of trade receivables that are past due but not impaired is as follows. They are related to a number of independent customers for whom there is no recent history of default.

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

30.3 Credit risk (Cont'd)

Financial assets that are past due but not impaired (Cont'd)

The Group

	31 December 2015 RMB'000	31 December 2014 RMB'000
90 to 120 days	-	94,587
More than 120 days	21,303	115,879
	21,303	210,466

Further details of credit risks on trade receivables are disclosed in Note 10.

30.4 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	1 to 5 years RMB'000	Total RMB'000
At 31 December 2015			
Trade, bills and other payables	77,814	-	77,814
Bank borrowings	-	-	-
	77,814	-	77,814
At 31 December 2014			
Trade, bills and other payables	215,538	-	215,538
Guaranteed royalty payable	-	-	-
Bank borrowings	74,700	-	74,700
	290,238	-	290,238
The Company			
At 31 December 2015			
Trade and other payables	33,470	-	33,470
At 31 December 2014			
Trade and other payables	29,981	-	29,981

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

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

30.5 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.

30.6 Categories of financial instruments

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Financial assets				
Loans and receivables				
Cash and bank balances	**16**	19	**154,427**	532,506
Trade and other receivables	**9**	10	**221,857**	550,595
Amounts owing by affiliated companies	**90,047**	90,018	**-**	-
Financial liabilities				
Amortised cost				
Trade and other payables	**-**	-	**19,537**	147,534
Bank borrowings	**-**	-	**-**	74,700
Amount owing to affiliated companies	**23,675**	22,854	**-**	-

31 Capital management

The Group's objectives when managing capital are:

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

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

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

(d) To provide an adequate return to shareholders.

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

The Group also monitors its capital based on the net debt-to-adjusted capital ratio. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Adjusted capital comprises all components of equity less restricted statutory reserve.

31 Capital management (Cont'd)

The Group's net debt to equity ratio as at 31 December 2015 and 31 December 2014 are as follows:

The Group	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Total debt	**77,814**	290,238
Less: Cash and bank balances	**(154,427)**	(532,506)
Net cash	**(76,613)**	(242,268)
Total equity	**472,157**	1,032,535
Less: Statutory reserve	**(87,938)**	(87,938)
Adjusted capital	**384,219**	944,597
Net debt-to-adjusted capital ratio	**N/A**	N/A

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

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

32 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.

33 Event after reporting date

On 30 December 2015, the Company has entered into a subscription agreement (the "Subscription Agreement") with four (4) individual subscribers. The Subscription Shares represents 192,000,000 number of shares which approximately 19.97% of the Existing Issued Share Capital as at the date of this financial statement and 16.64% of the Enlarged Issued Share Capital following the completion of the Proposed Subscription which falls on 27 April 2016.

On 2 June 2016, the Company has proposed a renounceable non-underwritten rights issue of up to 288,384,500 new ordinary shares ("Rights Shares") in the share capital of the Company at an issue price of S$0.01 ("Issue Price") for each Rights Share on the basis of one (1) Rights Share for every four (4) existing ordinary shares in the share capital of the Company ("Shares") held by Entitled Shareholders.

Except for the event disclosed above, there is no material subsequent event that occurred from the end of the reporting year till the date of authorization of these financial statements.

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STATISTICS OF SHAREHOLDINGS

As at 30 JUNE 2016

Authorised share capital	:	HK$ 500,000,000.00
Issued and fully paid-up capital	:	HK$ 46,141,520.00
No. of Issued Shares (Excluding Treasury Shares)	:	1,153,538,000
Number / Percentage of Treasury Shares	:	587,000 (0.05%)
Class of shares	:	Ordinary shares of HK$0.04 each
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 - 99	21	0.48	314	0.00
100 - 1,000	189	4.28	113,199	0.01
1,001 - 10,000	811	18.39	5,290,601	0.46
10,001 - 1,000,000	3,292	74.65	390,775,086	33.88
1,000,001 and above	97	2.20	757,358,800	65.65
Total	4,410	100.00	1,153,538,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2016

No.	Name	No. of Shares	%
1	UOB KAY HIAN PTE LTD	396,939,500	34.41
2	OCBC SECURITIES PRIVATE LTD	36,010,450	3.12
3	MAYBANK KIM ENG SECURITIES PTE LTD	34,650,500	3.00
4	HONG WANJIN	17,203,600	1.49
5	FONG KIM CHIT	16,000,000	1.39
6	DBS NOMINEES PTE LTD	14,652,975	1.27
7	RAFFLES NOMINEES (PTE) LTD	13,550,493	1.18
8	DBS VICKERS SECURITIES (S) PTE LTD	12,031,000	1.04
9	POH CHENG SENG OR POH SENG KUI	10,000,000	0.87
10	TOH LAI KENG	10,000,000	0.87
11	PHILLIP SECURITIES PTE LTD	7,341,522	0.64
12	LING HUA EE	6,500,000	0.56
13	LOW SEE LEONG	6,351,000	0.55
14	TH STRATEGIC INVESTMENTS PTE LTD	6,000,000	0.52
15	TAN POH GHEE	5,779,000	0.50
16	TAY HUI SAN	5,000,000	0.43
17	CHOA GOAN HO	4,500,000	0.39
18	TAN AH PENG	4,500,000	0.39
19	COMMITTEE OF THE PERSON AND ESTATE OF NEO MENG HWA	4,025,000	0.35
20	CHUA LEOK POH	3,789,000	0.33
		614,824,040	53.30

SUBSTANTIAL SHAREHOLDERS AS AT 30 June 2016
(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	Lin Shaoxiong[1]	–	–	282,500,000	24.49
2.	OSIM International Limited	215,581,000	18.69	–	–

Notes:

(1) Mr Lin Shaoxiong is deemed to be interested in 282,500,000 ordinary shares held under the name of nominee, UOB Kay Hian Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 30 June 2016, 56.81% 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 which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Sports International Limited (the "**Company**") will be held at Singapore Swimming Club, Emerald Court, Level 2, 45 Tanjong Rhu Road, Singapore 436899, on Friday, 5 August 2016 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Independent Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of S$119,333 for the financial year ended 31 December 2015. **Resolution 2**

3. (i) To re-elect the following Directors of the Company retiring pursuant to Bye-laws 85(6) and 86(1) of the Company's Bye-Laws:

   Mr. Ang Wei Chuan (Retiring under Bye-laws 85(6)) **Resolution 3**
   Mr. Lin Shaoqin (Retiring under Bye-laws 86(1)) **Resolution 4**

   [See Explanatory Note (i)]

   ii) To note that Mr. Tham Hock Chee will be retiring pursuant to Bye-laws 86(1) of the Company's Bye-laws and he will not be seeking re-election of this AGM.

4. To re-appoint Messrs RT LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

5. To transact any other ordinary business which may properly transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares**

   That pursuant to Bye-laws 12(3) of the Bye-laws of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), 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 may in their absolute discretion deem fit; and

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

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

provided that:

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

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

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

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

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

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws of the Company; and

(4) 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 AGM of the Company or the date by which the next AGM 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**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 20 July 2016

Explanatory Notes:

(i) Mr. Ang Wei Chuan will, upon re-election as a Director of the Company, remains as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this 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.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.

4. The instrument appointing a proxy must be deposited at the office of our Share Transfer Agent, B.A.C.S. Private Limited at 8 Robinson Road #08-00 ASO Building Singapore 048544 not less than forty-eight (48) hours before the meeting.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

China Sports International Limited