China Sports International Ltd

Crafted to Perfection

ANNUAL REPORT 2013

Contents

About Us

China Sports International Limited is mainly engaged in the design, manufacture and sale of sports fashion footwear and design and sale of sports fashion apparel 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 1,365 points-of-sale throughout first, second, third and fourth tier cities in the PRC.

Harnessing our **Strengths**

Our comprehensive collection of uniquely-designed shoes and apparel has demonstrated remarkable convergence of our operational strengths that have made us one of the leading and trusted fashion brands in the PRC. We are steadfast in our commitment to diversify our footwear and apparel range with enhanced features and functionality, particularly our popular breathable shoes.

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 2013 ("FY13").

HIGHTLIGHTS OF 2013

As the sportswear industry of the People's Republic of China ("PRC") continues to be troubled by unabated challenges over the past few years, particularly brought about by weaker market demand and tighter competition among industry players, our Group has concluded another challenging year.

In FY13, Group revenue increased by approximately 7.6% to RMB 818.2 million from about RMB 760.3 million in the previous corresponding period ("FY12"), mainly attributable to higher customer demand for our footwear products carrying innovative features and enhanced functionality, particularly our popular breathable shoes. In addition, we recorded increased orders from our new and existing OEM customers due to the consistent quality of our OEM footwear products.

On the back of this revenue increase, our gross profit increased by approximately 2.1% from RMB 135.0 million in FY12 to estimated RMB 137.8 million in FY13 as the increase in gross profit contribution from footwear products exceeded reduction of gross profit contribution from both apparel and accessories segments. However, due to significant decrease in margin from the apparel segment, overall gross profit margin decreased slightly from approximately 17.8% in FY12 to about 16.8% in FY13.

Our combined YELI footwear and OEM footwear products recorded an estimated RMB 742.1 million in sales, which was an increase of 19.1% as compared to approximately RMB 622.9 million in FY 12. This increase was attributable to the growing popularity of our range of breathable shoes which continues to differentiate our footwear products from our competitors across the highly-competitive footwear industry in the PRC.

During the year, our apparel segment recorded sales of approximately RMB 72.2 million, which led to a decrease of approximately RMB 51.1 million or 41.4% as compared to RMB 123.3 million in FY12. The decrease of the average selling price of our apparel products has affected the overall apparel revenue, which is a result of weaker consumer demand and intensified price competition in the market. Our distributors have been also more prudent when placing orders, which also contributed to the decreased apparel revenue.

Our Group recorded no accessories revenue during the third and fourth quarters as a result of the Group's strategic decision to discontinue our YELI accessories segment. Consequently, our accessories segment only achieved approximate revenue of RMB 3.9 million as compared to approximately RMB 14.1 million in FY12.

SURPASSING A CHALLENGING YEAR

The PRC's sportswear industry in general has been facing challenges stemming from excessive inventory and over-expanded channels over the past few years. However, there has been a notable improvement as industry players started initiating appropriate measures through destocking and network consolidation. Despite undertaking these measures, intense competition is still felt in the marketplace.

In response to market challenges, our Group initiated product repositioning through placing more focus on our footwear segment, it being the highest revenue driver year after year. Due to lower profit margin of our accessories segment, our Group decided to discontinue offering sports accessories. At the same time, our Group has gradually reduced our exposure in the apparel segment, which resulted in declining gross profit margin in FY13.

In line with the trend of our Group's target consumers increasingly preferring casual fashion wear over sportswear, our Group has accelerated our pace of transformation and repositioned the range of YELI footwear with emphasis towards the casual fashion wear market. Moreover, our Group has been putting in a lot of effort to differentiate YELI footwear by leveraging on our breathable shoes technology. As a result, our Group's distributors have opened more sales counters and shops-in-shops in various first-tier and second-tier cities due to the market's growing interest in our lines of breathable shoes.

In order to streamline our Group's distribution network, we have encouraged our distributors to close down inefficient specialty stores and instead set up more shops and counters within departmental stores in first, second and third-tier cities. Consequently, there was a reduction of YELI specialty stores by about 37% from over 420 stores. Moreover, our Group has engaged in initiatives to upgrade our points-of-sale to better reflect the change in YELI's product positioning with added emphasis towards casual fashion wear.

GEARING UP FOR THE NEXT LEVEL

In anticipation of another challenging business environment in FY2014, our Group will continue to invest in product and design development in response to emerging fashion trends. Leveraging on the success gained by our popular breathable shoes, which is notably our major revenue driver in FY13, we will continue to put in more effort to differentiate our products from other industry players through producing more high-quality products with innovative features and distinctive functionality.

As we have noted a significant increase in our OEM footwear revenue in FY13, we will continue to pursue our new strategy of selectively accepting higher margin orders from both our existing and new OEM customers overseas in FY14.

With less exposure in apparel segment and the discontinued accessories segment, the Group is still well-poised to manage the challenges in FY14 by leveraging on our strong fundamentals as a renowned and leading footwear manufacturer in the PRC and beyond. We are set to expand our reach beyond Fujian Province as we plan to build a new production facility in Anhui Province, which is strategically surrounded by cities and provinces with strong economic growth and large populations such as Shanghai, Jiangsu, Zhejiang, Fujian, Jiangxi, Henan and Hubei.

Finally, our Group is geared towards the next level of growth as we endeavour to improve our financial performance in FY2014 through cost control measures.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I am expressing my sincerest appreciation to our directors, shareholders, management and staff for all the contributions, hard work and dedication in delivering strong results amidst a tumultuous business environment. My appreciation is also extended to our business partners and customers for your continuous trust and confidence in YELI products. I look forward to working with you all in the coming year.

Lin Shaoxiong (林少雄)
Chairman and Chief Executive Officer

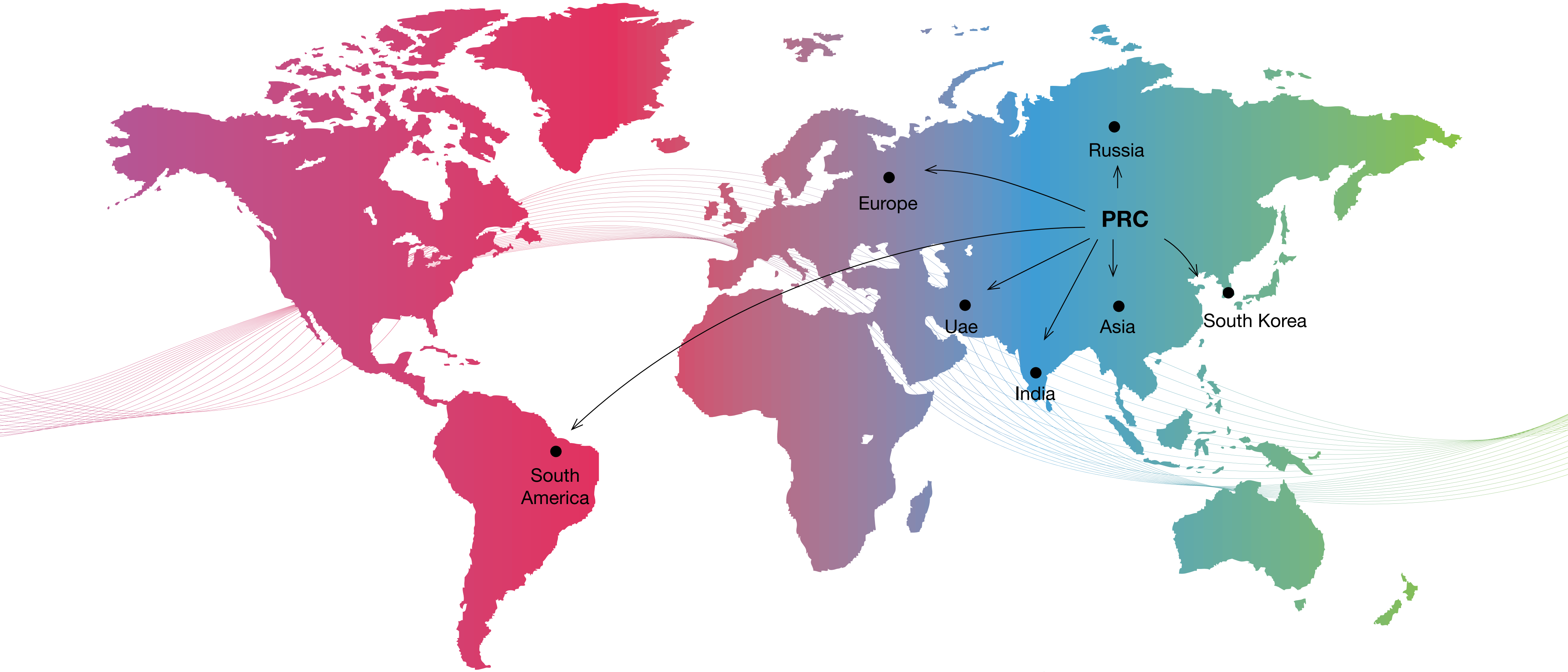
Unleashing our **Potentials**

With our expanded presence across multiple continents through our exporting activities as well as producing shoes for our growing OEM customers abroad, we have proven that our products have great potentials to go global. With that, we will remain steady in our pursuit to keep pace with the growing demands and changing needs of our target market, catering to their lifestyles and preferences.

Distribution Network

Network in PRC

China Sports has approximately 20 distributors with more than 1,365 points-of-sale covering more than 20 provinces in the the PRC



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.

Ms Lai Chin Yee
（黎静仪）
Independent Director

Ms Lai Chin Yee was appointed as our Lead Independent Director on 4 June 2007. She has more than 25 years of experience in auditing, taxation, finance and accounting and is currently the Finance Director of Qian Hu Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). She is also the Lead Independent Director of Ryobi Kiso Holdings Ltd, a company listed on the SGX-ST. Prior to joining Qian Hu Corporation Limited in 2000, Ms Lai was an auditor with international public accounting firms since 1987. From December 2006 to August 2007, she was appointed by the Ministry of Finance as a Council Member of the Council on Corporate Disclosure and Governance (CCDG). She also served as a member of the CFO Committee of the Institute of Singapore Chartered Accountants ("ISCA") from May 2009 to April 2012.

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

Mr Tham Hock Chee
（谭学持）
Independent Director

Mr Tham was appointed as our Independent Director on 4 June 2007 and Chairman of the Remuneration Committee of our Company. He was also appointed an Independent Director of Ouhua Energy Holdings Limited. 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 Sim Hong Boon
（沈鸿文）
Independent Director

Mr Sim was appointed as our Independent Director and the Chairman of the Nomination Committee of our Company on 27 April 2010. He is a Fellow (Life) of the Singapore Institute Architects, Fellow of the Royal Australian Institute of Architects, Fellow of the Society of Project Management Singapore, Member of the British Institute of Architects, Member of the Singapore Institute of Planners and Member of the Malaysian Institute of Architects. Mr Sim served on various local and international professional organisations. He was the President of the Singapore Institute of Architects (1974-1978), Member of the Board of Architects (1973-1980) and Professional Engineers' Board (1977-1980), Member of the Commonwealth Board of Architectural Education (1975-1987), Honorary Secretary of the Architects' Regional Council Asia ("Arcasia") and Chairman, Arcasia Board of Architectural Education (1976-1987). Mr Sim held several directorships in private and listed companies in Singapore, China and Holland. He was the Chairman of the Supervisory Board, Aabe Fabrieken B.V. and Aabe Holland (1983-1993). He held several foreign government appointments, as Advisor to the Commanding Office for the Development of the Jinan Yao Qiang Airport (1989), Advisor for Trade & Economic Development to the Municipal Government of City of Jinan (1993), Advisor to the Committee for the Development of Jinan High Technology Industrial Park (1993), Senior Economic Advisor to the Municipal Government of Zao Zhuang City, Shandong Province and Representative of the Indian Tourism Development Corporation for East and South East Asia (2005).

Key Management

Mr Alex Chan Chiu Hung (陈钊洪)

Mr Chan is our Chief Financial Officer. He oversees the management of the overall finance and accounting operations of our Group. He is also responsible for implementing internal controls and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of our Group's financial matters. He has been working with several listed and multinational companies for over 14 years. He joined us in March 2007. Mr Chan holds a Bachelor Degree with Honours in Finance from Hong Kong Baptist University. He has been a CPA of Hong Kong Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountant, the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. He obtained an Advanced Diploma in Specialist Taxation from Hong Kong Institute of Certified Public Accountants in February 2013.

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)

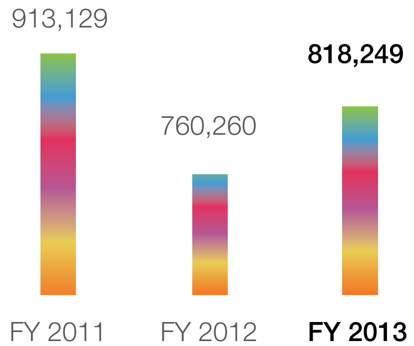
Mr Zhong joined Hengfa (Fujian) Light Industry Development Co., Limited in April 2009 as a Consultant of the Human Resource Department and appointed as our Human Resource Manager in April 2010. He is responsible for planning, directing and coordinating human resource management activities within principal 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)

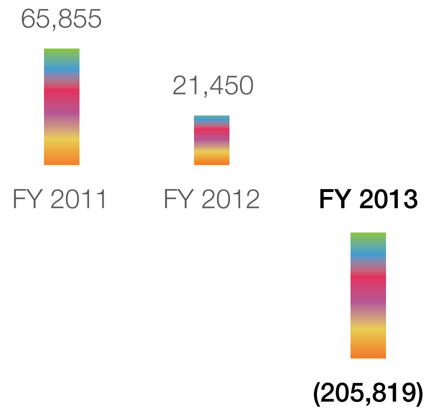
Mr Xie joined Hengfa (Fujian) Light Industry Development Co., Limited as Assistant Technical Manager in February 2008 and was subsequently promoted to become Technical and Quality Assurance Manager on 30 December 2008. He is mainly involved in providing technical advice on the production of footwear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

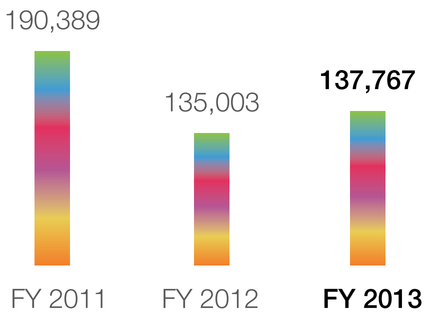
Revenue (RMB'000)



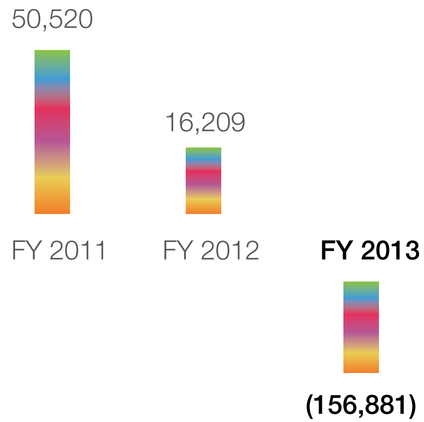
(Loss)/Profit Before Income Tax (RMB'000)



Gross Profit (RMB'000)



(Loss)/Profit After Income Tax (RMB'000)



Operations Review

Revenue

For the year ended 31 December 2013, ("FY13"), the Group's revenue increased by approximately RMB 57.9 million or 7.6% to approximately RMB 818.2 million from approximately RMB 760.3 million in the previous corresponding period ("FY12").

The increase in revenue in FY13 was mainly attributable to higher customers' demand for our footwear products with innovative features and distinctive functionality, particularly our popular YELI breathable shoes, which is the top revenue driver among our product segments. In addition, the Group also achieved an increase in sales orders for our Original Equipment Manufacturing (OEM) footwear products as our new and existing customers continued to purchase our OEM products due to our consistent track record of producing high-quality OEM footwear products.

Footwear

In FY13, our footwear-related products significantly recorded approximately RMB 742.1 million in sales, representing an increase of approximately RMB 119.2 million or approximately 19.1% over sales of footwear products of approximately RMB 622.9 million in FY12. The increase in footwear revenue during the year was mainly attributable to the growing sales of our YELI breathable shoes. Our breathable shoes continued to differentiate our footwear products from other shoe manufacturers, and from lower margin products in the highly competitive PRC footwear industry.

Our YELI footwear sales was approximately RMB 572.6 million which represented approximately 88.3% and 70.0% of our YELI revenue and of our total revenue in FY13, respectively, as compared to approximately 79.5% and 70.1% of our YELI revenue and our total revenue in FY12, respectively.

In FY 13, our Group recorded OEM footwear revenue of approximately RMB169.5 million, an increase of approximately RMB 79.8 million or approximately 89.0% over revenue of approximately RMB 89.7 million in FY 12. Due to the increased orders from our existing and new OEM customers, we booked an increase in OEM footwear revenue in FY13.

During the year, we continued to pursue our new strategy of selectively accepting higher margin orders from our existing and new OEM customers. Due to our consistent delivery of high quality OEM products, we managed to secure more orders from existing and new OEM customers. Consequently, our OEM footwear revenue contribution to total footwear revenue jumped from approximately 14.4% in FY 12 to approximately 22.8% in FY13.

Apparel

In FY13, our Group recorded apparel revenue of approximately RMB 72.2 million, a decrease of approximately RMB 51.1 million or approximately 41.4% as compared to approximately RMB 123.3 million in FY12. The apparel sales in FY13 contributed to approximately 11.1% and 8.8% of our YELI revenue and our total revenue respectively, from approximately 18.4% and 16.2% in FY 12. Weaker consumer demand as well as our distributors exercising prudence when placing orders, coupled with the intensified price competition led to the decrease of average selling price of YELI apparel, which affected the overall revenue of YELI apparel in FY13.

Accessories

In FY13, our YELI accessories sales was approximately RMB 3.9 million which represented approximately 0.6% and 0.5% of our YELI revenue and our total revenue in FY 13, as compared to approximately 2.1% and 1.9% of our YELI revenue and our total revenue in FY 12.

There was no revenue for our accessories segment in 4Q 13 as a result of our strategic decision to cease the production of YELI accessories. As we have reduced the number of YELI specialty stores, the aggregate order for YELI accessories by the remaining distributors will not be able to support minimum orders to be placed by us to our suppliers. The alternative would be for us to place the minimum orders and carry the excess as inventory. This alternative is not feasible as it would expose us to inventory risk that outweighs the possible returns. Further, we also foresee that the sale of accessories will continue to have high costs and intense price competition.

Based on orders from existing distributors, if our Group decided to continue the accessories business, the cost would be high and we would continue to be under extensive price competition with other manufacturers. Hence, this would not be favourable to our distributors.

Over the past year, the distribution network for our YELI products in the PRC decreased by approximately 25% from over 1,650 points-of-sale as at 31 December 2012 to over 1,365 points-of-sale as at 31 December 2013. During the same period, the number of specialty stores decreased by 37% from over 420 to over 265. Moving ahead, our Group will continue to execute our strategy of improving the mix of our points-of-sale.

Encouraged by the positive response to our YELI breathable shoes, our Group's distributors have opened more sales counters and shops-in-shops in various first-tier and second-tier cities. This has built up 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 to focus their resources to work with our Group in changing our product positioning and vary the product line-up with greater emphasis on breathable shoes.

	FY2013	FY2012	Growth
Points-of-sale	Over 1,365*	Over 1,650*	(17)%
YELI specialty stores	Over 265	Over 420	(37)%

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

Operations Review

Cost of goods sold and gross profit margin

In line with the increase in revenue, our cost of sales increased by approximately RMB 55.2 million or 8.8% from approximately RMB 625.3 million in FY12 to approximately RMB 680.5 million in FY13.

With the higher revenue, sub-contracting cost (including raw materials) of footwear products, apparel and accessories increased by approximately RMB 31.8 million or 16.7% from approximately RMB 190.1 million in FY12 to approximately RMB 221.9 million in FY13. The production of apparel and accessories was completely outsourced and more of the production of footwear products was being shifted back from subcontractors to our factories for better quality and cost control and in order to achieve better gross margin.

Gross profit increased by approximately RMB 2.8 million or 2.1% from approximately RMB 135.0 million in FY12 to approximately RMB 137.8 million in FY13 as an increase in gross profit contribution from footwear products exceeded reduction of gross profit contribution from apparel and accessories products.

With the significant decrease in margin from apparel products, overall gross profit margin in decreased from approximately 17.8% in FY12 to 16.8% in FY13.

The increase of overall gross profit margin was mainly due to higher margin derived from breathable shoes particularly during the last quarter of FY13. Higher revenue and higher gross profit margin from YELI breathable shoes were offset by higher subcontracting cost of OEM footwear product which resulted in a lower increase in overall gross profit.

The increase of the gross profit margin of our footwear in FY13 as compared to the corresponding period last year was mainly attributable to better gross profit margin registered for YELI breathable shoes.

The gross profit margin of YELI apparel in FY13 decreased 17.1% as compared to FY12, which was mainly attributable to higher subcontracting cost and higher unit raw material costs compounded by the intensified price competition from various market players clearing excess inventory. Consequently, our Group has lowered the selling price of our apparel products in response to the current competitive market environment.

Other operating income

Other operating income comprises mainly interest income from bank deposits and interest obtained from the deposit paid in relation to the acquisition of an equity stake in Jinjiang Guosheng Shoe Material Co., Ltd. ("Guosheng") (the "Acquisition"). The increase in interest income in FY13 was due mainly to interest obtained from the deposit for the Acquisition in Guosheng of approximately RMB 4.6 million which was offset by the lower bank balances and the decrease in interest rates during the period as compared to FY12.

Operating expenses

In total, operating expenses which comprised selling and distribution expenses and administrative expenses increased by approximately RMB 232.2 million or 207.0% from approximately RMB 112.2 million in FY12 to approximately RMB344.4 million in FY13. As a percentage of revenue, operating expenses increased to approximately 42.1% in FY13 from approximately 14.8% in FY12.

The main increase in total operating expenses arose from selling and distribution costs which increased by approximately RMB 231.0 million or 254.7% from approximately RMB 90.7 million in FY12 to approximately RMB 321.7 million in FY13.The increase was mainly due to provision of subsidies to be paid to our distributors of approximately RMB 252.3 million in FY13, to transform certain specialty stores at good locations to align with our product positioning and to clear off the excessive possible obsolete inventory.

The increase of the gross profit margin of footwear in FY13 as compared to FY12 was mainly attributable to the higher gross profit margin registered by the YELI breathable shoes.

In addition, our Group spent approximately RMB 39.7 million in FY13 in advertising on social media to create and promote awareness of our YELI brand, especially our YELI breathable shoes on various e-commerce platforms.

We would like to clarify that the provision of subsidies and the depreciation charge in relation to sales fixture are two separate items. The provision of subsidies was intended to assist distributors in clearing excess inventory, which was recorded as expenses, so as to facilitate the "Transformation". This is a paradigm shift in our business away from sportswear to casual and fashion wear. In conjunction with the "Transformation", our Group had also made payments for new sales fixtures at new points-of-sale, which was capitalised.

Administrative expenses increased by approximately RMB 1.2 million or 5.6% from approximately RMB 21.5 million in FY 12 to approximately RMB 22.7 million in FY 13. The increase in administrative expenses was mainly attributed to depreciation from the multi-complex building and higher property tax incurred in the PRC subsidiaries of approximately RMB 1.8 million relating to the newly-completed multi-complex building which was partially offset by rental savings of approximately RMB 1.0 million in FY13 with the completion of our multi-complex building towards the end of FY12, which gave our Group more production space.

Finance costs

Finance costs in FY13 increased by approximately RMB 1.9 million or 29.7% from approximately RMB 6.4 million in FY12 to approximately RMB 8.3 million in FY13. The increase was due to higher outstanding bills payable including bank loans and increases in interest rates in FY13 as compared to FY12.

Income tax

In FY13, our operating subsidiaries in the PRC incurred operating losses. Our Group has obtained written confirmation from the local tax authority that the losses for FY13 can be carried forward to offset future taxable profits from our Group. Moreover, deferred tax assets of approximately RMB 50.9 million has been recognised during the period under review which was partially offset by the income tax expenses of approximately RMB 0.3 million in relation to under provision in respect of the preceding year.

Corporate Information

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda
Telephone: +1 (441) 295 5950
Facsimilie: +1 (441) 292 4720
E-mail: codan@conyersdill.com

DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

SECRETARY

Ms Nicole Tan Siew Ping (LLB (Hons))

ASSISTANT SECRETARY

Mr Ira Stuart Outerbridge III (FCIS)

SHARE TRANSFER AGENT

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

BANKERS

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

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 Fianancial Statements And Other Information

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: CG Guideline 4.6

Name of Director	Designation	Date of Appointment	Date of Last Re-election
Mr Lin Shaoxiong	Executive Chairman and CEO	9 April 2007	30 April 2012
Mr Lin Shaoqin	Executive Director	10 April 2007	29 April 2013
Ms Lai Chin Yee	Lead Independent Director	4 June 2007	30 April 2012
Mr Tham Hock Chee	Independent Director	4 June 2007	29 April 2013
Mr Sim Hong Boon	Independent Director	27 April 2010	28 April 2011

The detailed profiles of the Directors are set out on pages 10 to 11 of this Annual Report. CG Guideline 4.7

The Board's role is to: CG Guideline 1.1

- 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;

Corporate Governance Report

- 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. CG Guideline 1.2

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

There were no incoming directors during the course of the financial year. When the existing directors were appointed, there 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. CG Guidelines 1.6 and 2.8

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. CG Guideline 1.7

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"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Committee. CG Guideline 1.3

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

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

CG Guideline 1.4

Type of Meetings / Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Mr Lin Shaoxiong	6	6	8	4*	1	–	2	–
Mr Lin Shaoqin	6	1	8	2*	1	–	2	–
Ms Lai Chin Yee	6	6	8	8	1	1	2	2
Mr Tham Hock Chee	6	6	8	7	1	1	2	2
Mr Sim Hong Boon	6	5	8	7	1	1	2	2

* By Invitation

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management 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 the financial year ended 2013 ("FY2013") 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.

CG Guidelines 2.1 and 2.2

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.

CG Guidelines 4.3 and 2.6

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

CG Guideline 2.7

Corporate Governance Report

None of our Directors has served on our Board beyond nine years from the date of his/her first appointment. CG Guideline 2.4

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. CG Guidelines 2.8 and 3.4

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 China Sports' business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of the performance of the executive management on a periodic basis.

Mr Lin Shaoxiong is our Executive Chairman and Chief Executive Officer ("CEO"). In view of Mr Lin Shaoxiong's concurrent appointment as our Executive Chairman and CEO, we have appointed Ms Lai Chin Yee as our Lead Independent Director. 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. CG Guideline 3.3

The Chairman's role includes: CG Guideline 3.2

- 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.

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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: CG Guideline 4.1

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

The NC meets at least once annually and had full attendance by its committee members during FY2013. The Chair 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. CG Guideline 4.1

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

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows: CG Guidelines 4.1 and 4.2

- to make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;
- to assist the Board when the Board examines its size with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The NC may make recommendations to the Board with regards to any adjustments that are deemed necessary; CG Guideline 2.5
- 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 Chair of the Board and for the Chief Executive Officer;
- 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; CG Guideline 4.3
- 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; CG Guideline 4.4

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- 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 Chair 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 CG Guideline 5.2
- 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 Director is Mr Sim Hong Boon who will retire pursuant to Bye-law 86(1) of the Company's Bye-laws. CG Guideline 4.2

In its search, nomination and selection for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the CG Guideline 4.6 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. CG Guideline 4.6

The Chair of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard. CG Guideline 5.3

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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 Sim Hong Boon, Mr Tham Hock Chee and Ms Lai Chin Yee. CG Guideline 4.3

Notwithstanding that each 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 has accepted the NC's recommendation that the maximum number of listed company board representations that a Director may hold is 4. CG Guideline 4.4

No alternate directors has been appointed to the Board CG Guideline 4.5

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). CG Guideline 5.1

The questionnaire covers various aspect of board effectiveness, including: CG Guideline 5.2

- effectiveness of discussions and debate;
- relationship 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. CG Guideline 5.3

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.

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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 all Board meetings and meetings of the AC, NC and RC. The Company Secretary or her representatives administer, attend and prepare minutes of Board and Board Committees meetings, and assist the Chairman in ensuring that Board procedures are followed in accordance with the Company's Bye-laws so that the Board functions effectively. CG Guidelines 6.1, 6.2 and 6.3

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. CG Guideline 6.5

(B) REMUNERATION MATTERS

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

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

Remuneration Committee

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

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

The principal responsibilities of the RC are: CG Guideline 7.1

- 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; CG Guideline 7.2

- 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; CG Guideline 7.2

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- 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; CG Guideline 7.2
- 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; CG Guideline 7.2
- to consider implementing schemes to encourage non-executive Directors to hold shares in the Company so as to better align the interests of such non-executive Directors with the interest of shareholders; CG Guideline 7.2
- 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; CG Guideline 7.2
- 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 FY2013. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. CG Guideline 7.1

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. CG Guideline 7.3

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. CG Guideline 7.4

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 Chair of the Board and submitted for endorsement by the entire Board. CG Guidelines 8.1 and 8.3

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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.

CG Guidelines 8.2 and 8.3

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.

CG Guidelines 8.4

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.

CG Guidelines 9.1, 9.2 and 9.3

DISCLOSURE ON REMUNERATION

Directors	Salary %	Bonus %	Benefits %	Director Fees %	Total %	Total
Mr Lin Shaoxiong	100	–	–	–	100	RMB960,000
Mr Lin Shaoqin	85	9	6	–	100	RMB600,000
Ms Lai Chin Yee	–	–	–	100	100	S$58,000
Mr Tham Hock Chee	–	–	–	100	100	S$50,000
Mr Sim Hong Boon	–	–	–	100	100	S$50,000

Key Executives	Salary %	Bonus %	Benefits %	Director Fees %	Total %
Below $250,000					
Mr Alex Chan Chiu Hung	92	8	–	–	100
Mr Kang Weisheng	48	32	20	–	100
Mr Xie Liangchen	48	32	20	–	100
Mr Fu Chengzhong	48	32	20	–	100

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.

CG Guideline 9.1

The aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) for FY2013 is approximately RMB 1,295,000.

CG Guideline 9.3

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Immediate family members of Directors or CEO CG Guideline 9.4

Save that Mr Lin Shaoxiong and Lin Shaoqin are brothers, there are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S$50,000 during FY2013.

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: CG Guideline 9.5

- 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. CG Guideline 10.1

The Board receives from Management regular updates and financial information which present a balanced and understandable assessment of the Company's performance, position and prospects. The Chief Financial Officer ("CFO") circulates quarterly financial reports to the AC which includes the income statement, statement of financial positions, statement of comprehensive income and cash flow statement of the Group, transactions between the Group and any interested person (namely, any of the Directors or any of the Controlling Shareholders or any of their Associates) and latest corporate developments. CG Guideline 10.2

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. CG Guideline 10.3

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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.

CG Guideline 10.2

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.

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:

CG Guidelines 11.1 and 11.2

- 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

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.

CG Guideline 11.3

The Board will deliberate further the necessity of establishing a Board Risk Committee in 2014.

CG Guideline 11.4

For the FY2013, the Board has received assurance from CEO and the Chief Financial Officer of the Company that:

CG Guideline 11.3

- 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.

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

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Audit Committee

The AC comprises the following non-executive and Independent Directors: CG Guideline 12.1

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

The AC held eight meetings during FY2013. 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 FY2013. CG Guidelines 12.5 and 12.8

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 Chair, 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. CG Guideline 12.2

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: CG Guideline 12.1

- to review with the external auditors: CG Guideline 12.4

  (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, inter alia, on the following:

  (a) significant financial reporting issues and judgements;

  (b) changes in accounting policies and practices;

  (c) major risk areas;

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(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; CG Guideline 13.5
- 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 Chair although the internal auditor would also report administratively to the CFO; CG Guideline 13.1

- 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; CG Guideline 12.3

- 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 interested persons (as defined in Chapter 9 of the Listing Manual) (IPT), to review procedures (in the event trade transactions with Interested Persons 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;

Corporate Governance Report

- to review the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of the Group;
- to review the reporting structure relating to the Group's accounting function and conduct semi-annual meetings with the CFO to ensure that the CFO is able to discharge his responsibilities effectively;
- to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- to undertake generally such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

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 external auditors were appointed on 3 January 2014. Accordingly, 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 shall also review, implement and administer the Group's Whistle-Blowing Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible 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. CG Guideline 12.7

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. The aggregate fees paid to the external auditors comprise only fees for audit services and amount to S$155,000. The external auditors were appointed to audit the accounts of the Company, its subsidiaries and its significant associated Companies. CG Guideline 12.6

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.

Corporate Governance Report

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 PRC subsidiaries (which are also Significant Subsidiaries) and Hong Kong subsidiaries (being Theme Way and YELI HK) will continue to be audited by local audit firms to comply with local regulations, being Zhengan and Lau & Au Yeung, respectively.

The financial statements of the PRC subsidiaries and Hong Kong subsidiaries are prepared in accordance with local Generally Accepted Accounting Principles (GAAP). As a Singapore registered firm, RT will not be able to sign off the financial statements required by the local authorities according to local regulations. To this end, Zhengan and Lau & Au Yeung will continue to be the statutory auditors of the Company's PRC subsidiaries and Hong Kong subsidiaries, respectively.

Notwithstanding that the PRC 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 Company's 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.

Theme Way and YELI HK will continue to be audited by Lau & Au Yeung. The Board and AC are satisfied that the continued appointments of (a) Zhengan as statutory auditors of our Significant Subsidiaries; and (b) Lau & Au Yeung as auditors of Theme Way and YELI HK will not compromise the standard and effectiveness of the audit of the Company and the Group having regard to (i) RT also undertaking the audit of our Significant Subsidiaries in accordance with IAS, if they are appointed as our Auditors; (ii) Theme Way and YELI HK being non-operating holding companies; and (iii) the Company's experience with working with Zhengan and Lau & Au Yeung in the preceding financial year, and 6 financial years, respectively.

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

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

The Company has outsourced the internal audit functions to Cachet Certified Public Accountants Limited. It has performed and implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal; transactions are properly authorised and proper financial records are being maintained. CG Guideline 13.4

Corporate Governance Report

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

The AC is satisfied that the internal audit function has adequate resources and has appropriate standing within the Company. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The Internal Auditor carries out its function according to standards set by the "Internal Control-Integrated Framework" established by the Committee of Sponsoring Organizations of the Trendway Commission (COSO). CG Guideline 13.4

The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditors and external auditors and, in the absence of any evidence to the contrary, the Board is of the opinion, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risk to meet the needs of the Group in its current business environment, having regard to the scale and nature of the Group's business. CG Guidelines 12.1 and 12.2

(C) 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. CG Guidelines 14.1 15.1 and 15.2

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. CG Guidelines 15.3 and 15.4

Corporate Governance Report

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 chair 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. CG Guidelines 14.2 and 16.3

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. CG Guideline 16.4

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. CG Guidelines 14.3, 15.1 and 16.1

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. CG Guidelines 16.1

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. CG Guideline 15.5 CG Guidelines 14.2 and 16.2

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. Where dividends are not paid, the Company discloses the reasons at the general meetings. CG Guidelines 15.5

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. SGX-ST Rule 1207(19)

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

Corporate Governance Report

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 FY2013.

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 2013:

No	Planned Usage	Placement Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Penetrate kids-wear market in the PRC: Research & Development ("R&D") and setting up distribution network, including setting up "YELI" kids-wear specialty stores	50.0	11.9	38.1
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	10.0	10.0
3.	Development of online shopping platform	27.9	24.2	3.7
		97.9	46.1	51.8

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.

Corporate Governance Report

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 term of the License had since been extended again. With the extended term (i.e., from 1 July 2013 till 30 June 2014), the License will conclude on 30 June 2014.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual) ("**IPT**") for the financial year ended 31 December 2012:

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	**undershareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	RMB	RMB
Lin Shaoxiong	–	–
Royalty fees paid to Lin Yongjian	30.1 million	–

Directors' Report

For the financial year ended 31 December 2013

The directors submit this report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for financial year ended 31 December 2013.

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)
Mr Sim Hong Boon (Independent Director)
Mr Tham Hock Chee (Independent Director)

At the forthcoming Annual General Meeting, Mr Sim Hong Boon, being eligible, will be retiring pursuant to Bye-law 86(1) of the Company's Bye-laws.

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			
The Company - China Sports International Limited	**Holding registered in the name of director or nominee**		**Holding in which director is deemed to have an interest**	
	As at 1.1.2013	**As at 31.12.2013 And 21.1.2014**	As at 1.1.2013	**As at 31.12.2013 and 21.1.2014**
Mr Lin Shaoxiong	282,500,000	**282,500,000**	–	**–**
Mr Tham Hock Chee	150,000	**150,000**	–	**–**

Directors' Report
For the financial year ended 31 December 2013

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 Lai Chin Yee (Chairman)
Mr Sim Hong Boon
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 2013 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.

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.

Directors' Report
For the financial year ended 31 December 2013

Independent auditor

During the year, Foo Kon Tan Grant Thornton LLP who acted as auditors of the company for the past year had resigned and in replacement, RT LLP, Public Accountants and Chartered Accountants, had been appointed as auditors of the company. The company will seek for reappoint RT LLP as its auditors in the Annual General Meeting 2013.

On behalf of the Directors

LIN SHAOXIONG

LIN SHAOQIN

Dated: 12 April 2014

Statement by Directors
For the financial year ended 31 December 2013

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

LIN SHAOXIONG

LIN SHAOQIN

Dated: 12 April 2014

Independent Auditor's Report

To the Members of China Sports International Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of China Sports International Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and of the Group as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

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 International 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 consolidated 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 accompanying consolidated financial statements give a true and fair view of the financial position of Company and of the Group as at 31 December 2013, and of their financial performances and cash flows for the financial year ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 12 April 2013.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 12 April 2014

Statements of Financial Position

As at 31 December 2013

	Note	The Company		The Group	
		31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
ASSETS					
Non-Current Assets					
Land use rights	4	**–**	–	**16,185**	16,549
Intangible assets and rights	5	**–**	–	**1,819**	2,390
Property, plant and equipment	6	**58**	54	**125,352**	155,819
Prepayments	7	**–**	–	**43,713**	43,713
Subsidiaries	8	**459,986**	459,986	**–**	–
Deferred tax asset	9	**–**	–	**49,245**	–
		460,044	460,040	**236,314**	218,471
Current Assets					
Inventories, at cost	10	**–**	–	**20,172**	22,786
Trade and other receivables	11	**13**	14	**382,346**	297,602
Amount due from subsidiaries	12	**89,331**	90,046	**–**	–
Pledged fixed deposits	13	**–**	–	**29,940**	42,865
Cash and bank balances	14	**5,327**	12,124	**694,301**	870,168
		94,671	102,184	**1,126,759**	1,233,421
Total assets		**554,715**	562,224	**1,363,073**	1,451,892

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

Statements of Financial Position
As at 31 December 2013

		The Company		The Group	
		31 December	31 December	**31 December**	31 December
		2013	2012	**2013**	2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	**36,570**	36,570	**36,570**	36,570
Treasury shares	16	**(226)**	(226)	**(226)**	(226)
Reserves	17	**489,730**	497,935	**986,011**	1,142,437
Total equity		**526,074**	534,279	**1,022,355**	1,178,781
Non-Current Liabilities					
Deferred tax liability	9	**–**	–	**7,377**	7,377
Guaranteed royalty payable	18	**–**	–	**–**	639
		–	–	**7,377**	8,016
Current Liabilities					
Trade and bills payables	19	**–**	–	**164,030**	117,416
Accrued liabilities and other payables	20	**5,760**	4,995	**60,411**	53,337
Amount due to subsidiaries	12	**22,881**	22,950	**–**	–
Bank borrowings	21	**–**	–	**108,900**	94,000
Income tax payable		**–**	–	**–**	342
		28,641	27,945	**333,341**	265,095
Total equity and liabilities		**554,715**	562,224	**1,363,073**	1,451,892

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 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
Revenue	3	**818,249**	760,260
Cost of sales		**(680,482)**	(625,257)
Gross profit		**137,767**	135,003
Other income	3	**9,124**	5,122
Selling and distribution costs	22	**(321,736)**	(90,726)
Administrative expenses		**(22,711)**	(21,538)
Finance costs	23	**(8,263)**	(6,411)
(Loss) / Profit before taxation	24	**(205,819)**	21,450
Taxation	25	**48,938**	(5,241)
Total (loss) / profit for the year		**(156,881)**	16,209
Other comprehensive income after tax			
Items that will be reclassified subsequently to profit or loss			
Currency translation differences	26	**455**	237
Other comprehensive income for the year, net of tax		**455**	237
Total comprehensive income for the year		**(156,426)**	16,446
(Loss)/Earnings per share (RMB cents)	27		
- Basic and diluted		**(16.83)**	1.69

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 2013

	Share capital (Note 15) RMB'000	Treasury shares (Note 16) RMB'000	Share premium (Note 17 a) RMB'000	Merger reserve (Note 17 c) RMB'000	Paid-in capital from exchange differences (Note 17 d) RMB'000	Currency translation reserve (Note 17 e) RMB'000	Statutory reserve (Note 17 b) RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2012	36,570	(226)	560,135	801	330	3,211	84,409	477,105	1,162,335
Total comprehensive income for the year	–	–	–	–	–	237	–	16,209	16,446
Transfer to statutory reserve	–	–	–	–	–	–	1,764	(1,764)	–
Balance at 31 December 2012	36,570	(226)	560,135	801	330	3,448	86,173	491,550	1,178,781
Total comprehensive income for the year	–	–	–	–	–	455	–	(156,881)	(156,426)
Transfer to statutory reserve	–	–	–	–	–	–	1,765	(1,765)	–
Balance at 31 December 2013	**36,570**	**(226)**	**560,135**	**801**	**330**	**3,903**	**87,938**	**332,904**	**1,022,355**

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 2013

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash Flows from Operating Activities		
(Loss) / Profit before taxation	**(205,819)**	21,450
Adjustments for:		
Depreciation of property, plant and equipment	**30,709**	41,740
Amortisation of land use rights	**364**	365
Amortisation of intangible assets and rights	**571**	259
Property, plant and equipment written off	**–**	13
Gain on disposal of property, plant and equipment	**–**	(21)
Unrealised exchange differences	**1,018**	747
Interest expense	**8,263**	6,411
Interest income	**(8,764)**	(5,009)
Operating (loss) / profit before working capital changes	**(173,658)**	65,955
Change in operating assets and liabilities:		
- inventories	**2,614**	(5,583)
- trade receivables	**(29,499)**	(45,278)
- other receivables	**(50,613)**	2,012
- trade payables and bill payables	**46,614**	36,565
- other payables	**6,276**	24,902
Cash (used in) / generated from operations	**(198,266)**	78,573
Interest received	**4,132**	5,009
Interest paid	**(8,263)**	(6,411)
Income tax paid	**(649)**	(5,662)
Net cash (used in) / generated from operating activities	**(203,046)**	71,509

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 2013

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	**–**	36
Acquisition of intangible assets and rights	**(639)**	–
Acquisition of property, plant and equipment	**(242)**	(42,375)
Net cash used in investing activities	**(881)**	(42,339)
Cash Flows from Financing Activities		
Decrease / (Increase) in fixed deposit pledged	**12,925**	(2,885)
Increase in amount owing to director	**822**	603
Proceeds from bank borrowings	**162,900**	116,700
Repayment of bank borrowings	**(148,000)**	(102,700)
Net cash generated from financing activities	**28,647**	11,718
Net (decrease) / increase in cash and cash equivalents	**(175,280)**	40,888
Cash and cash equivalents at beginning of year	**870,168**	828,438
Effect of exchange rates fluctuation	**(587)**	842
Cash and cash equivalents at end of year (Note 14)	**694,301**	870,168

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

Notes to the Financial Statements
For the financial year ended 31 December 2013

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2013 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 8.

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 ("IFRS IC") 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.

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 date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 2 to 20 years. The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2013 are RMB 58,000 and RMB 125,352,000 (2012 - RMB 54,000 and RMB 155,819,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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 2013 are RMB Nil and RMB 20,172,000 (2012 - RMB Nil and RMB 22,786,000) 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 receivables as at 31 December 2013 are RMB 13,000 and RMB 382,346,000 (2012 - RMB 14,000 and RMB 297,602,000) 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 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 2013, cost of investment in subsidiaries amounting to RMB 18,072,000 (2012 – RMB 18,072,000).

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 earning by PRC subsidiaries from 1 January 2008 onward. For the Group, the applicable rate for the withholding tax rate is 10%.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

2(b) Interpretations and amendments to published standards effective in 2013

The Group has adopted the following new and revised IFRSs, which are applicable to the Group, for the first time for the current year's financial statements.

References	Description
IFRS 1 Amendments	Amendments to IFRS 1 'First time adoption', on government loan
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 Amendments, IAS 27(2011) and IAS 28 (2011)	Amendments to IFRS 10, IFRS 11 and IFRS 12, IAS 27 (2011) and IAS 28 (2011) - Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements 2009 - 2011 Cycle	Amendments to a number of IFRSs issued in June 2012
IFRIC Interpretation 20	Stripping costs in the production phase of a surface mine

2(c) IFRS not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 9	Financial Instruments [3]
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 [3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities [1]
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions [2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities [1]
IAS 36 Amendments	Amendments to IAS 36: Impairment of Assets on Recoverable Amount Disclosures for Non-financial Assets [1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting [1]
IFRIC Interpretation 21	Levies [1]

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

The directors do not anticipate that the adoption of the above IFRSs and IFRIC Interpretation in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2(d) Summary of significant accounting policies

Consolidation

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

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.

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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.

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 year in which it is incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Property, plant and equipment and depreciation (Cont'd)

For acquisition and disposal during the year, 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

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 that control ceases.

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Financial assets (Cont'd)

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.

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.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

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 of 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 the income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

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

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

Financial liabilities (Cont'd)

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, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

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

Current and deferred income taxes are recognised as income or expense in 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.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

Value added tax

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

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

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

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

Borrowing cost

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

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

Employee benefits

Retirement benefits scheme

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

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

Employee benefits (Cont'd)

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.

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

Revenue recognition

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

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

Currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

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 2013 RMB'000**	31 December 2012 RMB'000
Revenue		
Sales of goods	**818,249**	760,260
Other income		
Interest income	**8,764**	5,009
Government subsidies/rewards	**360**	–
Sundry income	**–**	92
Gain on disposal of property, plant and equipment	**–**	21
	9,124	5,122

Notes to the Financial Statements
For the financial year ended 31 December 2013

4 Land use rights

The Group	RMB'000
Cost	
At 1 January 2012 and 31 December 2012	18,173
At 31 December 2013	**18,173**
Accumulated amortisation	
At 1 January 2012	1,259
Amortisation for the year (Note 24)	365
At 31 December 2012	1,624
Amortisation for the year (Note 24)	364
At 31 December 2013	**1,988**
Net book value	
At 31 December 2013	**16,185**
At 31 December 2012	16,549

Land use rights held by the Group with net book value of RMB 2,312,000 (2012 - RMB 2,437,000) as at 31 December 2013 were pledged to a bank to secure bank borrowings granted to the Group (Note 21).

Notes to the Financial Statements
For the financial year ended 31 December 2013

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 2012	77	–	219	296
Additions	–	2,555	–	2,555
At 31 December 2012	77	2,555	219	2,851
At 31 December 2013	**77**	**2,555**	**219**	**2,851**
Accumulated amortisation				
At 1 January 2012	61	–	141	202
Amortisation for the year	9	228	22	259
At 31 December 2012	70	228	163	461
Amortisation for the year	2	547	22	571
At 31 December 2013	**72**	**775**	**185**	**1,032**
Net book value				
At 31 December 2013	**5**	**1,780**	**34**	**1,819**
At 31 December 2012	7	2,327	56	2,390

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.

The Group	31 December 2013 RMB'000	31 December 2012 RMB'000
Amortisation expenses charged to:-		
Cost of sales	**2**	9
Administrative expenses	**569**	250
Selling and distribution expenses	**–**	–
	571	259

Notes to the Financial Statements
For the financial year ended 31 December 2013

6 Property, plant and equipment

The Company	**Furniture, fixtures and office equipment RMB'000**
Cost	
At 1 January 2012	141
Additions	12
At 31 December 2012	153
Additions	40
At 31 December 2013	**193**
Accumulated depreciation	
At 1 January 2012	61
Depreciation	38
At 31 December 2012	99
Depreciation	36
At 31 December 2013	**135**
Net book value	
At 31 December 2013	**58**
At 31 December 2012	54

6 Property, plant and equipment (Cont'd)

The Group	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Outlet fixtures RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2012	48,042	40,812	5,043	1,808	133,136	48,200	277,041
Additions	10,569	476	26	–	8,107	23,197	42,375
Disposals	–	(24)	–	(136)	–	–	(160)
At 31 December 2012	58,611	41,264	5,069	1,672	141,243	71,397	319,256
Additions	–	57	185	–	–	–	242
Transfer	71,397	–	–	–	–	(71,397)	–
At 31 December 2013	**130,008**	**41,321**	**5,254**	**1,672**	**141,243**	**–**	**319,498**
Accumulated depreciation							
At 1 January 2012	15,854	16,144	3,478	1,446	84,909	–	121,831
Depreciation (Note 24)	2,189	3,842	444	217	35,048	–	41,470
Disposals	–	(12)	–	(122)	–	–	(134)
At 31 December 2012	18,043	19,974	3,922	1,541	119,957	–	163,437
Depreciation (Note 24)	6,397	3,746	224	–	20,342	–	30,709
At 31 December 2013	**24,440**	**23,720**	**4,146**	**1,541**	**140,299**	**–**	**194,146**
Net book value							
At 31 December 2013	**105,568**	**17,601**	**1,108**	**131**	**944**	**–**	**125,352**
At 31 December 2012	40,568	21,290	1,147	131	21,286	71,397	155,819

Building held by the Group at net book value of RMB 36,087,000 (2012 - RMB 39,760,000) as at 31 December 2013 was pledged to a bank to secure bank borrowings granted to the Group (Note 21).

Notes to the Financial Statements
For the financial year ended 31 December 2013

6 Property, plant and equipment (Cont'd)

The construction work-in-progress was reclassified to buildings upon completion of construction of factory and office complex.

The Group	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Depreciation expenses		
Depreciation expense charged to:		
Cost of sales	**7,399**	6,136
Administrative expenses	**2,968**	556
Selling and distribution expenses	**20,342**	35,048
	30,709	41,740

7 Prepayments

The Group

Prepayment relate to cash paid for the proposed acquisition of 10% of the aggregate paid-up registered capital of a wholly foreign-owned enterprise established in China, Jinjiang Guosheng Shoe Material Co., Ltd (晋江国盛鞋材有限公司) ("Guosheng"). The acquisition has not been completed at the end of financial year 2013.

Subsequent to year end, the prepayment had been refunded to the Group.

8 Subsidiaries

The Company	**31 December 2013 RMB'000**	31 December 2012 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

8 Subsidiaries (Cont'd)

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 2013 RMB'000**	31 December 2012 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
		2013	2012	**2013**	2012	
		RMB'000	RMB'000	**%**	%	
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 sales 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 sales of sports fashion footwear, apparel and accessories

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

(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 the Group reporting purposes.

Notes to the Financial Statements
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9 Deferred tax assets / 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 2013 RMB'000**	31 December 2012 RMB'000
Deferred tax assets		
Credit to income statement (Note 25)	**49,245**	–
Balance at end	**49,245**	–
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.

Deferred income tax assets are recognized for tax losses carry forward to the extent that the realization of the related tax benefits through taxable profit is probable. The relevant tax authority has provided the confirmation that the losses of RMB 196,980,000 (2012:Nil) can be carried forward for a period of 5 years.

Notes to the Financial Statements
For the financial year ended 31 December 2013

10 Inventories, at cost

The Group	31 December 2013 RMB'000	31 December 2012 RMB'000
Raw materials	**5,974**	11,626
Work-in-progress	**7,253**	9,255
Finished goods	**6,945**	1,905
	20,172	22,786
Cost of inventories included in cost of sales	**533,602**	492,106

11 Trade and other receivables

	The Company		The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Trade receivables - third parties	**–**	–	**270,565**	241,067
Other receivables	**3**	4	**5,910**	272
Advance to suppliers	**–**	–	**74,361**	51,253
Prepayments	**10**	10	**31,510**	5,010
	13	14	**382,346**	297,602

Trade receivables generally have credit terms of 90 days (2012 - 90 days).

Trade receivables amounting to RMB 23,333,000 (2012-RMB 22,382,000) is pledged to secure bank borrowing granted to the Group (Note 21).

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

Prepayments relate to the prepaid advertising and e-commerce expenses.

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

Trade and other receivables are denominated in Renminbi.

Notes to the Financial Statements
For the financial year ended 31 December 2013

12 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 2013 RMB'000	31 December 2012 RMB'000
Singapore dollar	**24,570**	25,285
Renminbi	**64,761**	64,761
	89,331	90,046

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

The Company	31 December 2013 RMB'000	31 December 2012 RMB'000
United States dollar	**17,357**	17,426
Renminbi	**5,524**	5,524
	22,881	22,950

13 Pledged fixed deposits

The fixed deposits are pledged to a bank to secure a banking facility granted to subsidiaries (Note 19). The fixed deposits have an effective interest rate of 3.05% per annum (2012 - 1.23% per annum).

Fixed deposits are denominated in Renminbi.

14 Cash and bank balances

	The Company		The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Fixed deposits with maturity less than 3 months	**3,589**	3,789	**3,589**	3,789
Cash at banks	**1,738**	8,335	**690,710**	866,304
Cash on hand	**–**	–	**2**	75
	5,327	12,124	**694,301**	870,168

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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Hong Kong dollar	**–**	–	**73**	75
Renminbi	**–**	–	**688,832**	857,897
Singapore dollar	**5,327**	12,124	**5,375**	12,174
United States dollar	**–**	–	**21**	22
	5,327	12,124	**694,301**	870,168

The effective interest rate for bank deposits is 0.6% per annum (2012 - 0.6% per annum).

Notes to the Financial Statements
For the financial year ended 31 December 2013

15 Share capital

The Company and The Group	No. of ordinary shares 31 December 2013 '000	31 December 2012 '000	Amount 31 December 2013 RMB'000	31 December 2012 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.

16 Treasury shares

The Company and The Group	No. of ordinary shares 31 December 2013 '000	31 December 2012 '000	Amount 31 December 2013 RMB'000	31 December 2012 RMB'000
At beginning and end of year	**587**	587	**226**	226

17 Reserves

		The Company		The Group	
		31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Share premium	(a)	**560,135**	560,135	**560,135**	560,135
Statutory reserve	(b)	**–**	–	**87,938**	86,173
Merger reserve	(c)	**–**	–	**801**	801
Paid-in capital from exchange differences	(d)	**330**	330	**330**	330
Currency translation reserve	(e)	**3,829**	–	**3,903**	3,448
(Accumulated losses) / Retained profits		**(74,564)**	(62,530)	**332,904**	491,550
		489,730	497,935	**986,011**	1,142,437
Represented by:					
Distributable		**(74,564)**	(62,530)	**332,904**	491,550
Non-distributable		**564,294**	560,465	**653,107**	650,887
		489,730	497,935	**986,011**	1,142,437

(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.

Notes to the Financial Statements
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17 Reserves (Cont'd)

(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.

18 Guaranteed royalty payable

The Group	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Guaranteed royalty payments	**639**	2,555
Less: Amount payable within 1 year (Note 20)	**(639)**	(1,916)
Amount payable after 1 year	**–**	639

In previous year, the Group entered into a licensing agreement which allows the Group to affix certain trademark onto its kids footwear. As part of the agreement, the Group is required to pay the intellectual property owner royalty based on the sale of such footwear subject to certain minimum guaranteed royalty payments. These minimum payments are payable on a bi-annual basis until March 2014.

The minimum guaranteed royalty amounts are denominated in United States dollars.

19 Trade and bills payables

The Group	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Trade payables	**74,300**	23,956
Bills payables	**89,730**	93,460
	164,030	117,416

Trade payables generally have credit terms of 30 days (2012 - 30 days).

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

20 Accrued liabilities and other payables

	The Company		The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Accrued liabilities	**–**	1,867	**7,854**	11,128
Amount owing to director	**2,629**	2,365	**2,629**	2,365
Guaranteed royalty payable (Note 18)	**–**	–	**639**	1,916
Other payables	**3,131**	763	**44,532**	34,752
VAT payable	**–**	–	**4,757**	3,176
	5,760	4,995	**60,411**	53,337

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

Included in accrued liabilities for year ended 31 December 2012 is the accrued sale incentive rebates of RMB 7,632,000 for incentive to be given to distributors who meet certain sales targets.

Included in other payables is the royalties fee of RMB 30,162,000 (2012 - RMB 24,306,000) 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 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Hong Kong dollar	**74**	74	**899**	795
Renminbi	**2,629**	2,384	**55,816**	48,089
Singapore dollar	**3,057**	2,537	**3,057**	2,537
US dollar	**–**	–	**639**	1,916
	5,760	4,995	**60,411**	53,337

Notes to the Financial Statements
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21 Bank borrowings

	The Company		The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Bank borrowings (secured)	**–**	–	**108,900**	74,000
Bank borrowings (unsecured)	**–**	–	**–**	20,000
	–	–	**108,900**	94,000

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

(i) bank borrowings of RMB Nil (2012 - RMB 40m) are secured by the assets of the Group's subsidiaries and guaranteed by a director;

(ii) bank borrowing of RMB 30m (2012 - RMB Nil) is secured by the assets of Group's subsidiaries;

(iii) bank borrowing of RMB 25m (2012 - RMB 15m) is secured by the mortgage of land use right (Note 4) and a factory building (Note 6) of a subsidiary;

(iv) bank borrowing of RMB 14m (2012 - RMB 19m) is unsecured by a pledge of account receivable with RMB 23.3m of a subsidiary (Note 11);

(v) bank borrowing of RMB 39.9m (2012 - RMB Nil) guaranteed by a director; and

(vi) bank borrowing of RMB Nil (2012 - RMB 20m) is unsecured.

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

	The Company		The Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
At effective interest rate of 6.62% per annum (2012 - 7.19 % per annum)	**–**	–	**108,900**	94,000

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

22 Selling and distribution costs

The Group	31 December 2013 RMB'000	31 December 2012 RMB'000
Salaries and related cost	4,509	3,811
Advertisement	37,841	29,924
Subsidies to distributors	252,324	–
Sale incentive rebate	–	7,632
Depreciation of outlet fixtures	20,342	35,048
Product sales tax supplement	4,036	3,382
Others	2,684	10,929
	321,736	90,726

During the financial year ended 31 December 2013, the Group has provided inventory subsidies of approximately RMB 252,324,000 in respect of inventories bought by distributors during financial year from 2010 to 2012. This was part of the Group's effort to reform its business for the future. The inventories from the distributors has been sold at discount to tier 3 and tier 4 cities in PRC during the year.

23 Finance costs

The Group	31 December 2013 RMB'000	31 December 2012 RMB'000
Interest charges on bank borrowings	8,263	6,411

Notes to the Financial Statements
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24 (Loss)/Profit before taxation

The Group	Note	**31 December 2013 RMB'000**	31 December 2012 RMB'000
(Loss) / Profit before taxation is arrived at after charging/(crediting):			
Amortisation of land use rights	4	**364**	365
Amortisation of intangible assets and rights	5	**571**	259
Audit fees paid/payable to			
- auditors of the Company		**954**	960
- other auditors		**–**	76
Depreciation of property, plant and equipment	6	**30,709**	41,740
Property, plant and equipment written off	6	**–**	13
Directors' fees - directors of the Company		**1,924**	2,200
Exchange loss / (gain)		**1,101**	(688)
Minimum lease payments under operating leases		**960**	2,876
Research expenses		**5,372**	562
Staff costs:			
Directors' remuneration other than fee			
- directors of the Company		**189**	161
- retirement scheme contribution		**28**	36
Key management personnel (other than directors)			
- salaries, wages and related costs		**391**	436
- retirement scheme contribution		**20**	102
Other than key management personnel			
- salaries, wages and related costs		**52,950**	40,828
- retirement scheme contribution		**828**	9,910
		54,406	51,473

25 Taxation

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

The Group	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Current tax:		
Current tax on profits for the year	**–**	5,241
Adjustments in respect of prior years	**307**	–
Deferred tax asset (Note 9)	**(49,245)**	–
	(48,938)	5,241
(Loss) / Profit before taxation	**(205,819)**	21,450
Tax at statutory rate of 25% (2012 – 25%)	**(51,455)**	5,363
Underprovision in respect of previous years	**307**	–
Tax effect of allowance given by tax jurisdiction	**–**	(2,105)
Tax effect on non-taxable income	**(534)**	–
Tax effect on non-deductible expenses	**2,744**	1,983
	(48,938)	5,241

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").

Notes to the Financial Statements
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26 Other comprehensive income after tax

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

The Group	**RMB'000** Before tax	**RMB'000** Tax expenses	**RMB'000** Net of tax
31 December 2013			
Currency translation differences	**455**	**–**	**455**
31 December 2012			
Currency translation differences	237	–	237

27 (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 (2012 - 961,538,000 shares) during the financial year. There is no potential dilution on earnings for the relevant financial years.

28 Dividends

The Directors did not declare any dividend for the year ended 31 December 2013 (2012 - RMB Nil).

29 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 2013** **RMB'000**	31 December 2012 RMB'000
Royalty fees on Technology License Contract paid to a related party (parent of the subsidiary's directors)	**30,145**	24,306

30 Commitments

Operating leases commitments

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

The Group	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Within one year	**960**	960
In the second to fifth years	**960**	1,920
	1,920	2,880

The leases on the Group's office and hostel, and factory premises on which rentals are payable will expire on 31 December 2015. The current rent payable is RMB 80,000 per month.

31 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.

Notes to the Financial Statements
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31 Operating segments (Cont'd)

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

	Footwear		Apparel and accessories		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Segment Revenue	**742,111**	622,848	**76,138**	137,412	**818,249**	760,260
Segment Results	**(138,350)**	63,132	**(7,851)**	29,507	**(146,201)**	92,639
Interest income					**8,764**	5,009
Unallocated other income					**360**	113
Unallocated expenses					**(60,479)**	(69,900)
Finance cost					**(8,263)**	(6,411)
Operating (loss) / profit					**(205,819)**	21,450
Income tax credit / (expenses)					**48,938**	(5,241)
Net (loss) / profit					**(156,881)**	16,209
Segment assets	**508,332**	439,057	**37,542**	56,089	**545,874**	495,146
Segment liabilities	**(203,556)**	(140,991)	**(20,885)**	(30,401)	**(224,441)**	(171,392)
Other information						
Capital expenditures	**64,972**	37,271	**6,666**	7,659	**71,638**	44,930
Depreciation of property, plant and equipment	**(28,816)**	(35,544)	**(1,892)**	(6,196)	**(30,709)**	(41,740)
Sale incentive rebate	**–**	(6,253)	**–**	(1,379)	**–**	(7,632)
Amortisation of land use rights and intangibles	**(932)**	(577)	**(2)**	(47)	**(935)**	(624)
Property, plant and equipment written off	**–**	(11)	**–**	(2)	**–**	(13)

31 Operating segments (Cont'd)

The Group	2013 RMB'000	2012 RMB'000
Reported segment assets are reconciled to total assets as follows:		
Segment assets	**545,874**	495,146
Long term prepayments	**43,713**	43,713
Cash and bank balances	**694,301**	870,168
Pledged fixed deposits	**29,940**	42,865
Deferred tax asset	**49,245**	–
Total assets	**1,363,073**	1,451,892
Reported segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**224,442**	171,392
Bank borrowings	**108,900**	94,000
Income tax payable	**–**	342
Deferred tax liability	**7,377**	7,377
Total liabilities	**340,718**	273,111

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

32 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 2013, 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.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

32.1 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 31 December 2013, 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 2013 RMB'000		As at 31 December 2012 RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5% (2013 - 5%)	**+48**	**+48**	+482	+482
	- weakened 5% (2013 - 5%)	**-48**	**-48**	-482	-482

32.2 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:

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

32.2 Interest rate risk (Cont'd)

The Group

2013	Note	Effective interest rate %	Total RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000
Financial assets					
Pledged fixed deposits	13	3.05	**29,940**	**29,940**	**–**
Financial liabilities					
Bank borrowings	21	6.62	**108,900**	**108,900**	**–**
2012					
Financial assets					
Pledged fixed deposits	13	1.23	**42,865**	**42,865**	**–**
Financial liabilities					
Bank borrowings	21	7.19	**94,000**	**94,000**	**–**

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.

32.3 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.

Notes to the Financial Statements
For the financial year ended 31 December 2013

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

32.3 Credit risk (Cont'd)

There is no concentration of credit risk.

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

32.4 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 2013			
Trade, bills and other payables	**224,441**	–	**224,441**
Bank borrowings	**108,900**	–	**108,900**
	333,341	–	**333,341**
At 31 December 2012			
Trade, bills and other payables	**168,837**	–	**168,837**
Guaranteed royalty payable	**1,916**	639	**2,555**
Bank borrowings	**94,000**	–	**94,000**
	264,753	639	**265,392**
The Company			
At 31 December 2013			
Trade and other payables	**28,641**	–	**28,641**
At 31 December 2012			
Trade and other payables	**27,945**	–	**27,945**

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

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

32.5 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.

33 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.

The Group's net debt to equity ratio as at 31 December 2013 and 2012 are as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
Total debt	**333,341**	264,753
Less: Cash and bank balances	**(694,301)**	(870,168)
Net cash	**(360,960)**	(605,415)
Total equity	**1,022,355**	1,178,781
Less: Statutory reserve	**(87,938)**	(86,173)
Adjusted capital	**934,417**	1,092,608
Net debt-to-adjusted capital ratio	**N/A**	N/A

Notes to the Financial Statements
For the financial year ended 31 December 2013

33 Capital management (Cont'd)

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.

34 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.

35 Event after reporting date

There is no material subsequent event occurs from the balance sheet date till the date of the report.

Statistics of Shareholdings
As at 19 March 2014

SHAREHOLDINGS STATISTICS AS AT 19 MARCH 2014

Authorised share capital	:	HK$500,000,000
Issued and fully paid-up capital	:	HK$38,461,520
No. of equity securities (Excluding Treasury Shares)	:	961,538,000
Treasury Shares	:	587,000 (0.06% of the total number of issued shares excluding Treasury Shares)
Class of equity securities	:	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 - 999	164	3.44	72,113	0.01
1,000 - 10,000	921	19.30	5,813,251	0.60
10,001 - 1,000,000	3,611	75.69	357,348,889	37.17
1,000,001 and above	75	1.57	598,303,747	62.22
Total	4,771	100.00	961,538,000	100.00

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

	Direct Interest	%	Deemed Interest	%
Lin Shaoxiong[(1)]	282,500,000	29.38	–	–

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

Note:

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

Statistics of Shareholdings
As at 19 March 2014

TWENTY LARGEST SHAREHOLDERS AS AT 19 MARCH 2014

No.	Name	No. of Shares	%
1	UOB KAY HIAN PTE LTD	349,618,500	36.36
2	OCBC SECURITIES PRIVATE LTD	32,527,450	3.38
3	PHILLIP SECURITIES PTE LTD	28,594,822	2.97
4	DBS VICKERS SECURITIES (S) PTE LTD	15,750,000	1.64
5	HONG WANJIN	10,434,000	1.09
6	LING HUA EE	6,500,000	0.68
7	MAYBANK KIM ENG SECURITIES PTE LTD	6,227,000	0.65
8	CHOAH LEONG YEW	5,759,000	0.60
9	TAN POH GHEE	5,679,000	0.59
10	DBS NOMINEES PTE LTD	5,381,475	0.56
11	TAY AH KEE	5,000,000	0.52
12	TAN CHUAN HEONG	4,632,000	0.48
13	CITIBANK CONSUMER NOMINEES PTE LTD	4,536,000	0.47
14	RAFFLES NOMINEES (PTE) LTD	4,309,500	0.45
15	COMMITTEE OF THE PERSON AND ESTATE OF NEO MENG HWA	4,025,000	0.42
16	LIM & TAN SECURITIES PTE LTD	3,813,500	0.40
17	GOH KHOON LIM	3,800,000	0.39
18	WEE KAM SIAK @ JULIAN WEE KAM SIAK	3,480,000	0.36
19	CIMB SECURITIES SINGAPORE PTE LTD	3,393,500	0.35
20	TAN LYE SENG	2,716,000	0.28
		506,176,747	52.64

PUBLICLY HELD SHARES

Based on information available to the Company as at 18 March 2014, approximately 70.60% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held Level 3, Function Room, Chui Huay Lim Club, 190 Keng Lee Road, Singapore 308409 on Wednesday, 30 April 2014 at 9.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of directors' fees of S$158,000 for the year ended 31 December 2013 (2012: S$158,000). **(Resolution 2)**

3. To re-appoint RT LLP as the Auditors of the Company and to authorise the directors of the Company to fix their remuneration. **(Resolution 3)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

4. Authority to issue shares **(Resolution 4)**

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

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

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

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

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

Notice of Annual General Meeting

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

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

(2) 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

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

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

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

[See Explanatory Note (i)]

5. Any other business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Nicole Tan Siew Ping
Company Secretary

Singapore
14 April 2014

Notice of Annual General Meeting

Explanatory Notes:

(i) **Resolution 4**, if passed, will empower the directors of the Company, from the date of this meeting until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time **Resolution 4** 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 **Resolution 4** is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A registered Shareholder entitled to attend and vote at the annual general meeting ("**AGM**") is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy needs not be a member of the Company.

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

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

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

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

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