LOVE FOR SPORTS

CHINA HONGXING SPORTS LIMITED annual report 2008

CONTENTS

CORPORATE PROFILE

Established in 2000, China Hongxing Sports Limited ("China Hongxing" or the "Group") is one of the leading branded sports gear enterprises in the PRC. Primarily engaged in the design, manufacture and sale of an extensive range of sports footwear, as well as the sale of a wide range of sports apparel and sports accessories, the Group was successfully listed on the main board of the Singapore Exchange Securities Trading Limited in November 2005.

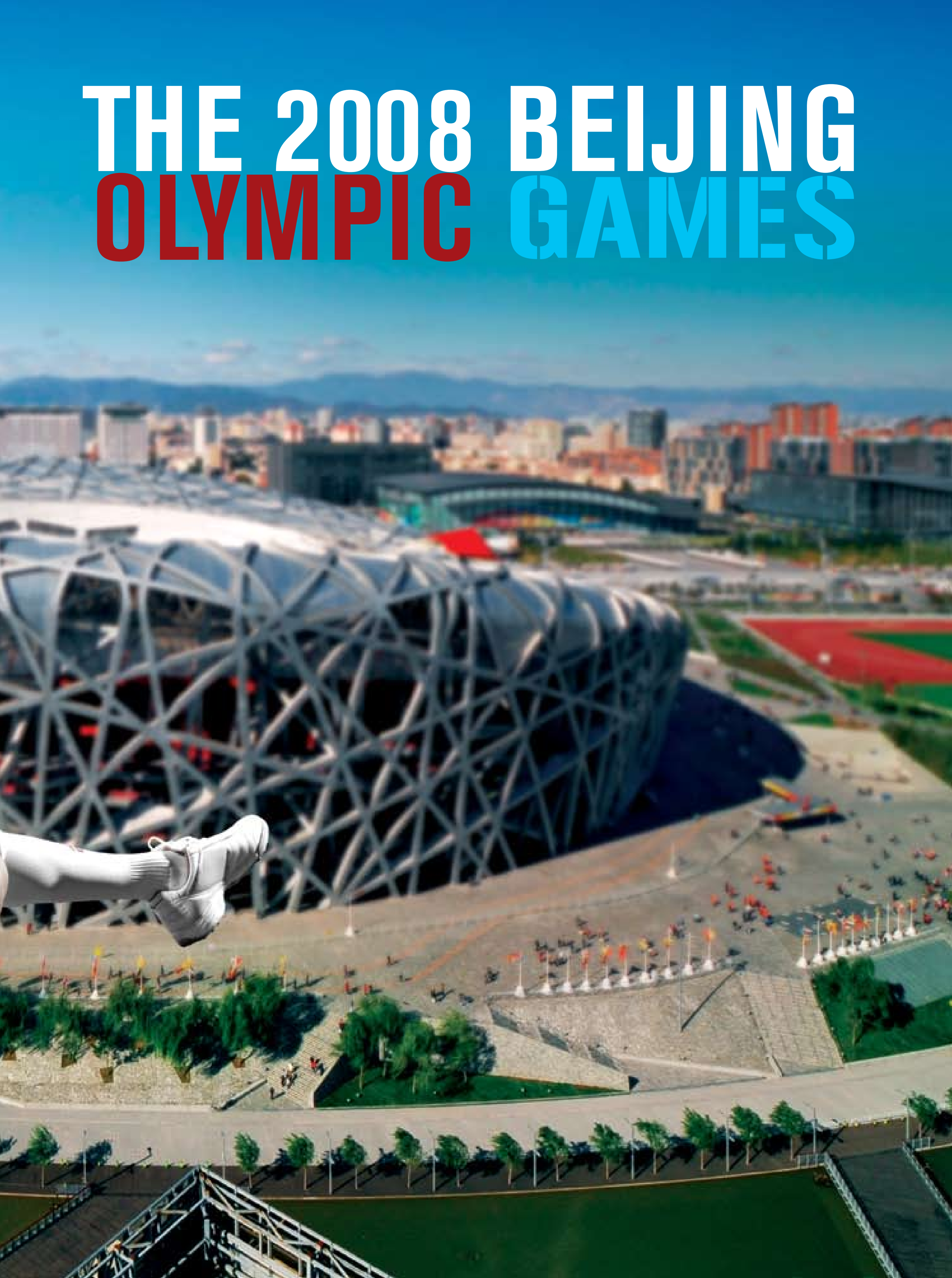
Our products are sold under our "Erke" brand name, which has won several awards and accolades in the PRC including being ranked as one of China's Top 500 Brands by the World Brand Laboratory in 2006 and 2007. Working closely with 25 exclusive third party distributors, our products are distributed and sold via an extensive retail sales network spanning approximately 3,824 points of sales across the PRC.

With more than 5,000 employees, our headquarters and sports footwear production facilities are strategically located in Quanzhou City, the PRC, which is widely acknowledged as the "shoe capital" in the country. Our annual production capacity of sports footwear at the end of December 2008 is approximately 17.9 million pairs and the establishment of a new plant was completed in December 2008. The manufacture of sports apparel and sports accessories are outsourced to selected contract manufacturers who meet the stringent quality and design requirements of our Group.

We are actively involved in advertising and promotional activities to raise the profile of our "Erke" brand to consumers. We advertise regularly in a variety of media channels including television, print, billboards and the Internet. We also sponsor athletes and prominent sporting events through our advertising agent, such as the Women's Tennis Association ("WTA") tour, which has helped enhance our brand visibility across the PRC.

In FY2008, our revenue grew by 41.2% to reach RMB2.9 billion and our net profit increased by 7.7% to RMB448.5 million.

THE 2008 BEIJING OLYMPIC GAMES

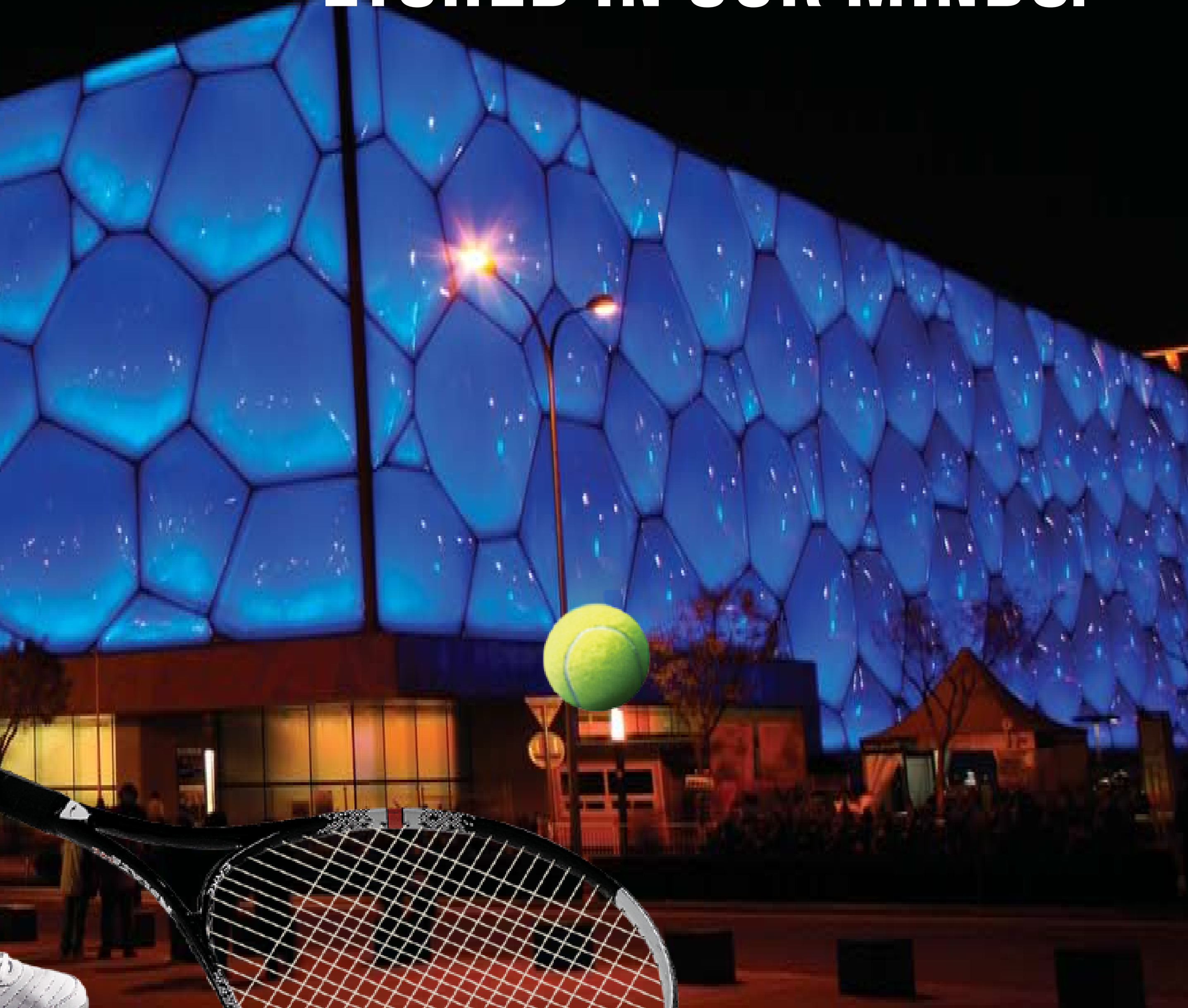



中国平安


THE WORLD
CAME TOGETHER
TO WITNESS
BREATHTAKING
FEATS OF HUMAN
ABILITY AND
ENDURANCE.


ERKE

THERE WERE SCENES OF TRIUMPH AND TEARS OF ANGUISH. MOMENTS THAT WILL FOREVER BE ETCHED IN OUR MINDS.



THE GAMES UNITED A NATION LIKE NEVER BEFORE, ELEVATING THE **LOVE FOR SPORTS** TO UNPRECEDENTED LEVELS.

SPORTS IS PASSION

A GREAT ATHLETE CHALLENGES BOUNDARIES,
MOVES ABOVE AND BEYOND THE PHYSICAL,
STRENGTHENED BY QUALITIES OF
PERSEVERANCE, DEDICATION AND COMMITMENT.

WHAT MAKES A GREAT ATHLETE IS WHAT SETS APART
THE PEOPLE AT CHINA HONGXING.

UNITED BY A PASSION FOR SPORTS. DRIVEN BY A VISION TO SUCCEED.

THE LOVE FOR SPORTS


ERKE

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present China Hongxing's annual report for the financial year ended December 31, 2008 ("FY2008").

FY2008 marked yet another outstanding year of achievements as the Group seized growth opportunities within the PRC despite the challenges arising from the global financial crisis.

We remain committed to enhancing our leading position in the PRC sporting goods market through expanding our network of retail stores, cultivating our brand status and recognition through active advertising and marketing campaigns, and improving our product mix to include a wider range of designs and technologies to cater to the differing tastes and demands across the country. Our focus on executing on our growth strategies has contributed to our success in achieving the strategic goals we set ourselves for FY2008.

Delivering strong performance

The year under review concluded on a positive note with the Group's achievement of yet another year of strong financial performance with revenue increasing by approximately 41.2% to RMB2.9 billion as a result of our ability to execute upon our growth strategies in branding and retail expansion. Our net profit expanded by 7.7% to RMB448.5 million, supported by operational efficiencies achieved through growing our retail network, improving our product mix to higher-margin apparel and accessories products, raising our brand visibility and recognition in the market and increasing our retail selling prices.

Over the last year, we embarked on initiatives to enhance our brand value, expanded our retail network, increased advertising and promotional activities and improved internal capabilities and operational efficiencies.

Our retail network in the PRC as at December 2008 stands at 3,824, an increase of 573 stores during the year, including 454 mid-sized stores established from October 2007 to December 2008 positioned in prime locations of high-traffic, high-profile shopping districts to enhance the visibility of our brand and the accessibility of our products to our target customers. We also embarked on an upgrading programme of our older stores and these are now consistent with the look and ambience of our newer fourth-generation stores for a better shopping experience as well as bringing our minimum store sizes to at least 60 square metres. Expanding our network of stores is part of our ongoing strategy to boost the visibility and presence of our Erke brand in key cities across the PRC.

Delivering good quality products has always been our focus. Through ongoing R&D efforts, we developed and enhanced several new and existing technologies and designs for our footwear and apparel products as well as increased the range of new designs and scope of accessories. These were introduced at Jinan City, Shandong Province, and at Xiamen City, Fujian Province, during the four Autumn/Winter and Spring/Summer trade fairs in 2008, all receiving strong responses from our third-party distributors and retailers, resulting in securing a solid order book as we move into FY2009. Securing orders from these trade fairs are important growth drivers for the Group and I am pleased to report that the orders received in trade fairs conducted in 2008 grew approximately 40.2% from those held in 2007.

The Group introduced shock dispersion ABS technology in the tennis footwear series and expanded the technology into outdoor series footwear, an enhanced GDS third generation running footwear and the Second Series of its extremely popular Ice Cool technology running footwear and apparel products in the 2009 Summer and Spring Collections. The First Ice Cool Series saw overwhelming sales during the 2008 Spring and Summer Collections and we are confident that the new and improved Second Series will receive a similar positive response from customers as we usher in the year of the Ox.

We completed the establishment of our fourth production facility in December 2008. We now have additional capacity to produce approximately 6.0 million pairs of footwear per annum, bringing our total production capability from 17.9 million to 23.9 million pairs of footwear per annum. We have also raised the utilisation rate of our existing three production facilities from 65% in 2007 to more than 90% in 2008, in response to increasing demand for our footwear. With this new plant operationally ready and slated to commence production after the Lunar New Year in 2009, we are now well positioned to react quickly to increases in demand for our products.

"I BELIEVE THAT IF WE STAY FOCUSED ON OUR GROWTH STRATEGY, TO CONTINUE DEVELOPING NEW TECHNOLOGIES AND DESIGNS FOR OUR PRODUCT RANGE AND STRENGTHENING OUR BRAND RECOGNITION AND PROMINENCE, WE WILL BE ABLE TO RIDE OUT THIS ECONOMIC DOWNTURN AND EMERGE STRONGER SUPPORTED BY OUR STRONG BALANCE SHEET AND CASH POSITION."

CHAIRMAN'S STATEMENT

Strengthening our brand

The Beijing Olympic Games not only raised the PRC's profile as a location in Asia to host key sporting events, but also provided a platform on which we were able to enhance our brand visibility internationally, through our advertising agent's sponsorship of the PRC Women's 48 kg weightlifting team and North Korean Olympic team. Ms Chen Xiexia's win of the gold medal and the women's 48 kg weightlifting title on Saturday 9 August 2008 was the first Olympic gold medal for the PRC at the Beijing Olympics, which created a stir of media coverage within the PRC. The North Korean Olympic team garnered two gold, one silver and three bronze medals in various events. We are extremely pleased that our teams performed so well, against such strong competitors from around the world. They have made their countrymen proud and we are delighted to have supported them in their achievements.

During the year, China Hongxing sponsored the Women's Tennis Association Tour, the China Tennis Grand Prix and continued its endorsement of tennis star athletes Zheng Jie and Yan Zhi as brand spokespersons, to establish 'Erke' as the top tennis brand in the PRC.

We were the title sponsor of the International Table Tennis Federation Pro Tour and the official sponsor of NBA news on the web pages appearing on www.tom.com, one of the PRC's largest Internet value-added services providers in China. In addition, we also leveraged on our brand recognition to market more aggressively in the football segment, sponsoring advertisements on the arena of 9 Spanish football teams in the Spanish Premier Liga event.

Moving forward, we intend to continue in selecting strategic sponsorship opportunities that would support our brand strengthening efforts and position Erke as one of the premium brands for sportswear in the PRC.

Achieving international recognition

As a testament to the strong fundamentals of our business, China Hongxing has been named as one of Forbes Asia's 200 Best Under a Billion in 2008. 200 companies with less than US$1 billion in turnover have been selected from 24,155 publicly listed firms in the Asia-Pacific region. Given the economic climate of 2008, companies on this year's list have proven themselves capable of not only sustaining consistent growth and profitability capabilities, but have also successfully navigated through the challenges of the global downturn.

In recognition of the strength of our Erke brand, Erke has been named by leading global brand valuation institute World Brand Laboratory as one of China's 500 Most Valuable Brands in 2008 for the third consecutive year, ranking among the top 140 with an estimated brand value of RMB 5.3 billion.

Since our listing in November 2005, China Hongxing has strived to meet the highest standards of corporate transparency and governance in line with the regulatory framework for companies listed in Singapore. At the 9th annual Investors' Choice Awards 2008 by the Securities Investors Association of Singapore (SIAS), the Group was awarded runner up in the Most Transparent Company in the Foreign Listings category. In addition, the Group has also received a host of awards from Asiamoney magazine in its annual Corporate Governance Polls. China Hongxing has won Best Overall for Corporate Governance, Best for Disclosure and Transparency, Best for Responsibilities of Management and the Board of Directors, Best for Investor Relations and Best Investor Relations Officer.

We are extremely honoured to receive recognition from international agencies for our success not only in establishing Erke as one of China's leading sporting goods brands, but for our efforts in maintaining the highest standards of corporate governance and transparency as a publicly responsible company.

Looking ahead

Across the global landscape, 2008 was indeed a year of challenges: slowing economic growth across the world's developed economies, declining consumer confidence and spending, falling stock markets and share prices, and natural disasters such as the earthquake in Sichuan Province.

While we continue to see steady demand for our footwear, apparel and accessories, we are cautiously optimistic about the outlook for our business in FY2009. However, I believe that if we stay focused on our growth strategy, to continue developing new technologies and designs for our product range and strengthening our brand recognition and prominence, we will be able to ride out this economic downturn and emerge stronger supported by our strong balance sheet and cash position.

Special thanks

I would like to thank our management team and employees for their hard work and dedication in helping China Hongxing achieve such success in FY2008. I would also like to thank our suppliers, distributors and retailers for their commitment and contribution to making Erke one of the leading sporting goods brands in the PRC.

Most importantly, on behalf of my Board of Directors, I would like to extend our sincere gratitude to all shareholders for their loyalty and confidence in China Hongxing's long term strategy and growth potential.

Mr Wu Rongguang
Chairman and Executive Director

FINANCIAL HIGHLIGHTS

NEW POINTS OF SALE ESTABLISHED IN 2008

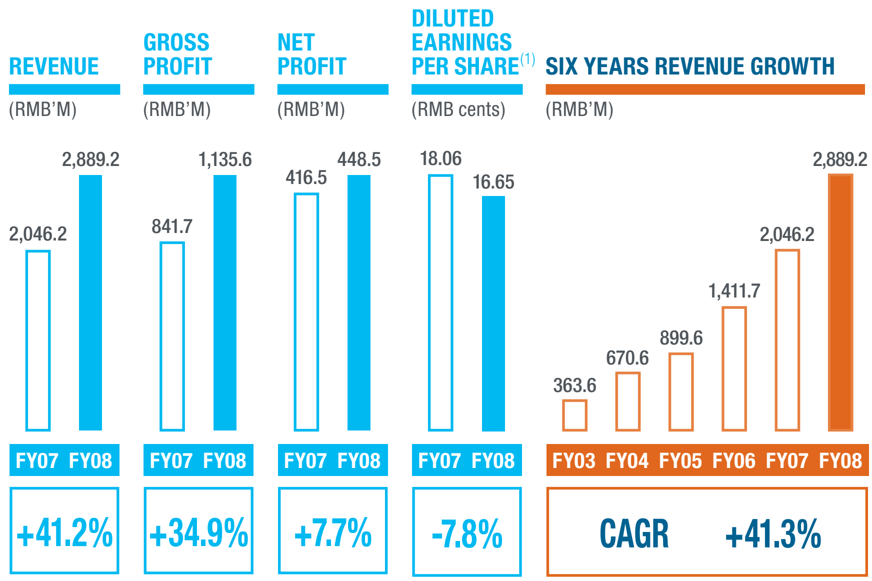
573

TOTAL NUMBER OF POINTS OF SALES IN 2008

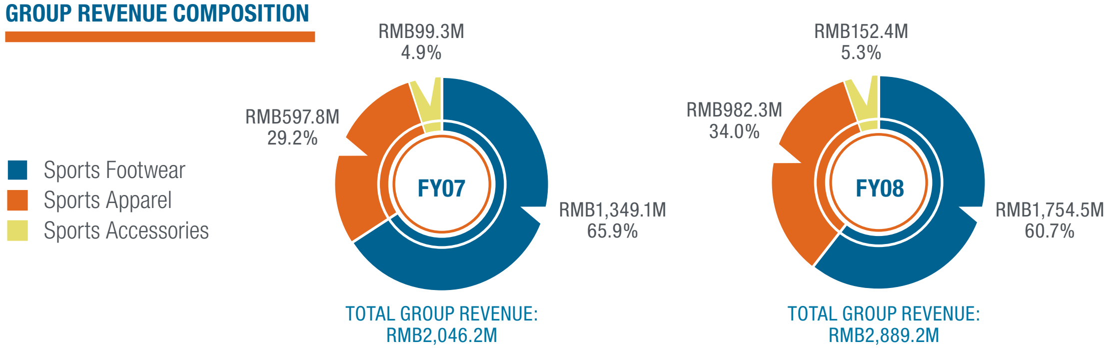
3,824

ANNUAL PRODUCTION CAPACITY OF SPORTS FOOTWEAR IN 2008

17.9 million pairs



GROUP REVENUE COMPOSITION



Balance Sheet Highlights

	FY07	FY08
Cash & Cash Equivalents (RMB'M)	2,649	**1,982**
Inventory Turnover (Days)	35	**23**
Receivables Turnover (Days)	82	**60**
Payables Turnover (Days)	46	**32**
Cash Conversion Cycle (Days)	71	**51**
Net Asset Value Per Share (RMB cents)	139.91[2]	**152.49[2]**

Notes:

(1) *Earnings per ordinary share on a fully diluted basis for 12 months ended 31 December 2008 and 31 December 2007 were calculated based on unaudited profit attributable to shareholders after adding back the finance cost in respect of the liability component of RCPS of RMB466,263,000 and RMB439,257,000 divided by the weighted average of 2,800,000,000 and 2,431,780,822 ordinary shares respectively. The weighted average share capital for the year takes into consideration the issue of RCPS.*

(2) *Net asset value per share is calculated based on 2,540,000,000 ordinary shares of HK$0.02 each in issue as at the end of the financial year 2007 and 2008.*

FINANCIAL REVIEW

Delivering strong financial performance

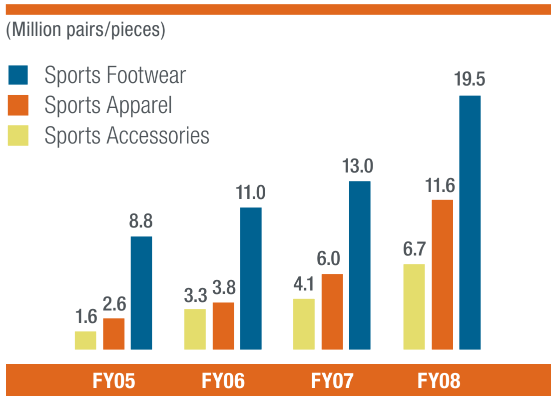
Group revenue was up by approximately 41.2% from RMB2,046.2 million in FY2007 to RMB2,889.2 million in FY2008. This increase was due mainly to the addition of 573 retail outlets during the year which expanded China Hongxing's network to 3,824 retail outlets across the PRC, improvements in the product portfolio with higher contribution from higher-margin apparel and accessories products, continual increases in retail selling prices, as well as ongoing enhancements to operating efficiencies. Our strong top-line growth was also boosted by success in generating greater brand awareness with our target market through extensive advertising and promotional activities.

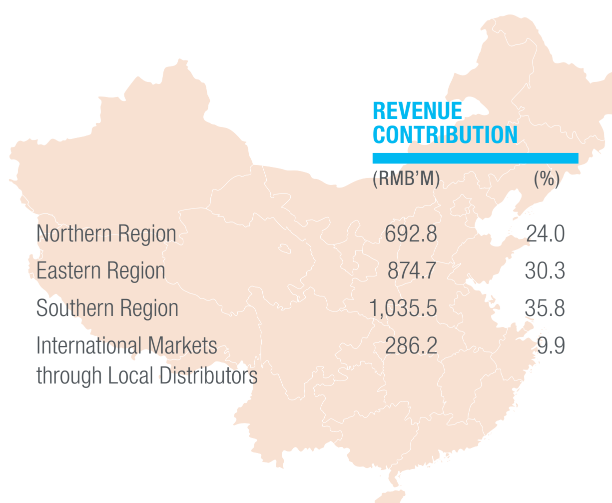
More specifically, our revenue increased in all three business segments of footwear, apparel and accessories, reflecting healthy demand for our products across the PRC during the year. Sales of apparel saw the biggest jump growing 64.3% from RMB597.8 million in FY2007 to RMB982.3 in FY2008, while sales of footwear and accessories increased by 30.0% and 53.5% respectively. In FY2008, 19.5 million pairs of sports footwear, 11.6 million pieces of sports apparel and 6.7 million pieces of sports accessories were sold, an increase of 49.8%, 91.9% and 63.4% respectively, over the previous financial year.

Sales in our domestic market grew healthily during the Olympic year. Geographically, the Southern region, which includes Xizang, Sichuan, Yunnan, Guizhou, Chongqing, Guangxi, Guangdong, Hainan and Fujian contributed the bulk of revenue of 35.8% to the Group in FY2008. The Eastern region, which includes Hubei, Hunan, Jiangxi, Anhui, Jiangsu, Zhejiang and Shanghai, contributed 30.3%, and the Northern region, which includes Xinjiang, Gansu, Ningxia, Shaanxi, Henan, Hebei, Shandong, Beijing, Tianjin, Inner Mongolia, Liaoning, Jilin and Heilongjiang contributed 24.0% to Group revenue in FY2008. Sales of the Southern, Eastern and Northern regions increased by approximately 48.2%, 37.2% and 42.0% year-on-year respectively.

Sales to our local distributors for their international markets including Middle East, Southeast Asia and South America also increased approximately 20.0% over FY2007, contributing 9.9% to Group revenue in FY2008. We have also recently established four points of sales in Malaysia, our first specialty store in Lebanon and opened a sales office in Benelux, Holland via our third-party distributors. We are positive about the markets in these areas and hope to establish more points of sales in the future.

VOLUME GROWTH OF EACH PRODUCT SEGMENT





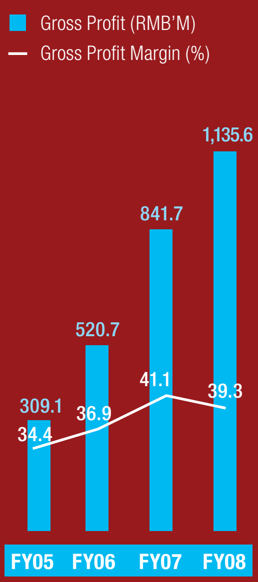
REVENUE CONTRIBUTION

	(RMB'M)	(%)
Northern Region	692.8	24.0
Eastern Region	874.7	30.3
Southern Region	1,035.5	35.8
International Markets through Local Distributors	286.2	9.9

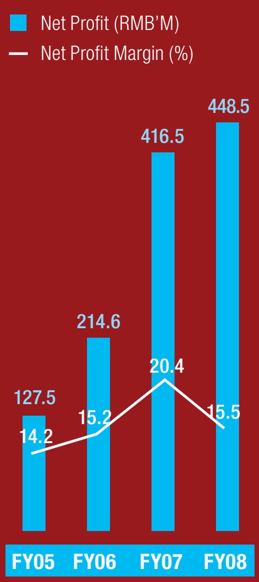
FINANCIAL REVIEW

The 34.9% increase in gross profit of approximately RMB1,135.6 million in FY2008 over FY2007 reflects the benefits arising from the Group's ongoing business expansion, shifts towards higher-margin products and efficiencies achieved through greater economies of scale. Gross profit margins declined by 1.8 percentage points due to product discounts provided to distributors and retailers to refurbish and/or to relocate 1,260 older specialty stores under the Group's upgrading programme in FY2008. A total of RMB155.6 million in product discounts were given out in FY2008, with approximately RMB44.4 million remaining out of the RMB200 million project budget to be disbursed in 1H 2009.

GROSS PROFIT / GROSS PROFIT MARGIN



NET PROFIT / NET PROFIT MARGIN



Selling and distribution expenses increased by approximately 67.7% from RMB312.5 million in FY2007 to RMB524.0 million in FY2008 as a result of our ongoing commitment to raise brand awareness through advertising and promotional activities as well as to leverage on the Beijing Olympic Games in FY2008 to raise our brand visibility. Expenses resulting from office rentals in the establishment of our four regional headquarters in Beijing, Xi'an, Nanjing and Guangzhou also contributed to this increase. Administrative expenses rose by approximately 55.3% from RMB60.0 million in FY2007 to RMB93.2 million in FY2008, mainly due to the net exchange losses incurred, increase in salaries and staff-related expenses, office rentals for our Xiamen headquarters and higher depreciation which is in line with business and capacity expansion.

Overall, we are pleased to report strong performance at the bottom-line with an increase in profit before tax of 14.5% from approximately RMB450.1 million in FY2007 to approximately RMB515.4 million in FY2008. Net profit attributable to shareholders was also up, increasing by 7.7% from approximately RMB416.5 million in FY2007 to approximately RMB448.5 million in FY2008.

As at the end of FY2008, we have maintained a strong balance sheet with cash and cash equivalents of RMB1,981.7 million and a low gearing of 0.3% with a short term debt of approximately RMB6.0 million. We have also managed to improve our cash conversion cycle tremendously, reducing it from 71 days in FY2007 to 51 days in FY2008. This is a direct result of the Group's efforts to tighten our working capital to prepare ourselves for a challenging year ahead.

The Group is mindful of the global economic environment and its impact on the PRC domestic consumption market and will continue to monitor closely the purchasing trends of the PRC consumer market and the performance of the China economy. We will adopt a more prudent stance moving into FY2009 but will continue to seek strategic opportunities to grow and develop the business and our operations.

MILESTONES & AWARDS

Our drive to constantly innovate and deliver the best quality products to our customers has helped us build a strong order book in 2008. Our motivation to maintain the highest standards of corporate governance and transparency with our investors has resulted in international recognition of these efforts in 2008.

March

- Introduced more than 125 new footwear models and more than 220 apparel and accessory designs at Autumn/Winter trade fair held in Jinan City, Shandong Province; attracting more than 2,500 distributors and retailers
- Sponsored billboard advertising space in NBA matches played by Houston Rockets and Milwaukee Bucks
- Secured billboard advertising for nine Spanish football teams in the Spanish Premiere Liga, where matches were aired on China's main sports channel CCTV 5 till April 08

May

- Introduced more than 175 new footwear models and more than 200 apparel and accessory designs at the Winter trade fair held in Xi'an City, Shaanxi Province; attracting more than 1,400 distributors and retailers

June

- 'Erke' was named by leading global brand valuation institute World Brand Laboratory as one of 'China's 500 Most Valuable Brands in 2008' for the third consecutive year, ranking among the top 140 with an estimated brand value of RMB5.3 billion

August

- At the Beijing Olympics, Ms Chen Xiexia's win of the gold medal for the PRC women's 48 kg weightlifting title on Saturday 9 August 2008 was also the first Olympic gold medal for the PRC
- Introduced more than 125 new footwear models which included the innovative shock dispersion ABS technology in the tennis footwear series and outdoor series footwear, and more than 230 apparel and accessory designs at the Spring/Summer trade fair held in Xiamen City, Fujian Province; attracting more than 2,600 distributors and retailers

September

- One of Forbes Asia's '200 Best Under a Billion in 2008' among 24,155 publicly listed firms in the Asia-Pacific region

October

- Runner up in the 'Most Transparent Company in the Foreign Listings' category in the 9th annual Investors' Choice Awards 2008 by the Securities Investors Association of Singapore (SIAS)

November

- Sponsored the International Table Tennis Federation Pro Tour events in Qatar, Germany and France

December

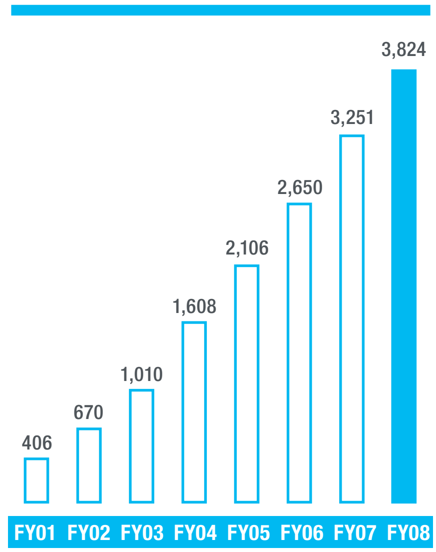
- Sponsored China Tennis Grand Prix in Guangdong Province for the third consecutive year
- Garnered five award wins in Asiamoney's Corporate Governance Poll in 2008: Best Overall for Corporate Governance, Best for Disclosure and Transparency, Best for Responsibilities of Management and the Board of Directors, Best for Investor Relations and Best Investor Relations Officer in China

OPERATIONS REVIEW

Expanding presence across the PRC

In FY2008, the Group successfully executed our expansion strategy, growing our retail network in the PRC to 3,824 stores, an increase of 573 stores over FY2007. In FY2008, we remained committed to creating a strategic retail network in prime locations within the PRC through opening 354 mid-sized stores along the main shopping belts of the first to third-tier cities to ensure an appropriate representation of our Erke brand across the PRC and in turn enhance the long term value and visibility of our business in our key markets.

POINT OF SALES



The improvement of our retail network is not limited to the opening of new stores, but includes upgrading approximately 2,000 older Erke specialty stores through refurbishment and/or relocation. To assist and accelerate this process, we launched the upgrading programme in FY2008 whereby the Group subsidised a portion of the costs involved in refurbishment and/or relocation, by providing product discounts to newly renovated or expanded stores. Up to 31 December 2008, we have upgraded 1,260 stores and will continue upgrading the remaining stores to be completed by 1H 2009. The Group will then be able to reap the benefits of this one-off exercise, which is not only in line with our strategy to increase revenue contribution from apparel and accessories product segments but will also boost brand visibility and positioning and in turn our retail and wholesale earnings, over the long term.

OPERATIONS REVIEW

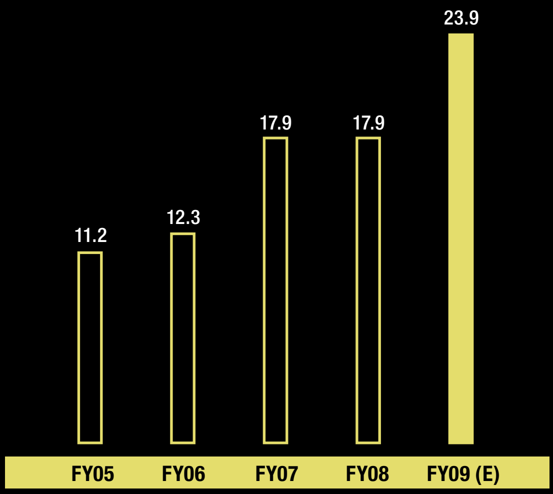
With the rapid expansion of our retail network, we have established regional headquarters in four main regions of the PRC to ensure that operations and supply chain management are conducted smoothly and efficiently and serve as resource centres for training purposes. These regional headquarters are now up and running and are located in Xi'an (to monitor the Northwest region), Beijing (to monitor the Hua Bei region), Guangzhou (to monitor the Hua Nan region) and Nanjing (to monitor the Central region).

Through ongoing research and development efforts, the Group developed and enhanced several new and existing technologies and designs for footwear, and increased the range of new designs for our range of apparel and accessories. These were introduced at Jinan City, Shandong Province, and at Xiamen City, Fujian Province, during the quarterly trade fairs in 2008, all receiving strong responses from third party distributors and retailers. Total orders received in the trade fairs in FY2008 grew approximately 40.2 % year-on-year. In FY2008, we introduced more than 595 new footwear designs and approximately 1,020 apparel and accessory designs, demonstrating our efforts to stay in touch with consumer tastes and fashions. The Group has also expanded our research and development team with more than 40 footwear designers and close to 30 apparel designers in-house.

Our fourth new production facility was established in December 2008, increasing annual production capacity to approximately 23.9 million pairs of sports footwear, which has commence production after the Lunar New Year in 2009. The four production facilities will significantly strengthen our manufacturing capabilities and improve the time-to-market for our footwear products and hence further enhance our operational efficiencies.

ANNUAL PRODUCTION CAPACITY

(million pairs of footwear per annum)



OPERATIONS REVIEW

Investing in our brand

The Olympic Games is one of the world's most prominent sporting events in the world. The event, held in Beijing in 2008, succeeded in elevating the status of the PRC as a location for world-class sporting events. Through our advertising agent, the sponsorship of the PRC Women's 48 kg weightlifting team and North Korean Olympic team achieved international recognition for China Hongxing. Wearing Erke branded attire during their respective events, the North Korean Olympic team garnered a total of six medals. As for the PRC Women's 48 kg weightlifting team, their victory was the first Olympic gold medal for the PRC at the Beijing Olympic Games. Ms Chen Xiexia wore Erke branded attire at all media events and public engagements substantially raising the visibility of our brand in the PRC.

Through the advertising agent, the Group continued the sponsorship of the Canton Open Women's Tennis tournaments for the fourth consecutive year, our sponsorship of the China Tennis Grand Prix in Guangdong Province for the third consecutive year, and the Women's Tennis Association Tour for the third consecutive year. We also continued to endorse tennis star athletes Zheng Jie and Yan Zhi as brand spokespersons, to further strengthen 'Erke' as the top tennis brand in the PRC.

The Group was the title sponsor for the International Table Tennis Federation Pro Tour events in Qatar, Germany and France, and the official sponsor for the airing of the Euro Cup on CCTV 5, the main sports channel in the PRC, rolling out our "To be Number One" advertising campaign during the televised matches. The scope of advertising and promotional activities also included billboard advertisements during the matches of nine Spanish football teams at the Spanish Primera Liga event, and billboard advertisements for games played by the Houston Rockets and Milwaukee Bucks during the NBA basketball season. We are currently the official sponsor of NBA news on the web pages appearing on www.tom.com, one of the PRC's largest Internet value-added services providers in China.

Overall in FY2008, China Hongxing's investments in A&P have reaped positive results, gaining an increase in brand recognition and strengthening our brand equity.

Looking ahead

China Hongxing is cautiously optimistic about the outlook for the PRC sporting goods market in the near future. Despite the challenging environment arising from the global economic slowdown, we believe that demand for our products are expected to continue to grow in the second- to fourth-tier cities, fueled by our strong brand equity, our extensive retail network in these markets and competitive pricing of our products. At the same time, the Group has put in place risk management measures to ensure the long term viability of our business aided by a strong balance sheet and an efficient management of our working capital.

The Group feels that in managing a business and a large operation, we must always be prepared for the worst-case scenario but at the same time continue to execute our growth strategies with caution and care to take advantage of any opportunities that a downturn may provide. We will thus seek opportunities to strengthen our position in the PRC sporting goods market by leveraging on China's increasing prominence as a venue for world-class sporting events in the coming years as well as remain focus on our strategies to enhance our brand and retail network to develop and grow the business.

BOARD OF DIRECTORS

Mr Alfred Cheong Keng Chuan
Independent Director

Mr Chan Wai Meng
Independent Director

Mr Wu Rongguang
Chairman and
Executive Director

Mr Wu Rongzhao
Chief Executive Officer
and Executive Director

Mr Bernard Tay Ah Kong
Independent Director

BOARD OF DIRECTORS

Mr Wu Rongguang
Chairman and Executive Director

Mr Wu was appointed as the Group's Chairman on 5 May 2007. As one of the founders of the Group in 2000, he oversees the management and operations of the Group as our General Manager. Mr Wu Rongguang participates actively in the planning of the Group's advertising and promotional strategies. He is also involved in the research and development activities where he provides the Production Development Department with strategic direction.

Mr Wu Rongzhao
Chief Executive Officer and Executive Director

Mr Wu joined the Group in August 2003 as our Deputy General Manager and was subsequently appointed as our Executive Director in May 2005. He was recently appointed as the Group's Chief Executive Officer on 5 May 2007. He is responsible for the Group's overall management and operations of the Finance, Production and Administration Departments.

Mr Chan Wai Meng
Independent Director

Mr Chan was appointed as the Group's Independent Director on 20 September 2005. He has 30 years of experience in finance, corporate planning, sales and marketing. He has worked in management and financial positions in various organizations including Hewlett Packard Group, DBS Bank Group and Singapore Pools where he was the Chief Operating Officer from 1998 to 2003. Currently he provides consultancy services to investors in PRC, Hong Kong and Singapore. Mr Chan graduated with a degree in Accountancy from the University of Singapore in 1977. He has been a member of the Institute of Certified Public Accountants of Singapore for more than 25 years.

Mr Bernard Tay Ah Kong
Independent Director

Mr Bernard Tay Ah Kong was appointed as the Group's Independent Director on 20 September 2005. He is currently the Non-Executive Chairman of Horwath First Trust, which is a Certified Public Accountants firm and a member of the Risk Management Committee of KW Capital Pte Ltd, an approved SGX Continuing Sponsor. Mr Tay is also an Independent Director of several public companies listed on the SGX Mainboard and Catalist. He is the Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China, President of the Automobile Association of Singapore and Vice-President of the Singapore Productivity Association. He is also a sub-committee member of the Singapore Institute of Directors. Mr Tay is a recipient of the Service to Education Award and Community Service Medal and was conferred the Pingat Bakti Masyarakat (Public Service Medal) by the President of Singapore in 1990. In addition, he is a former member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. Mr Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Certified Public Accountants of Singapore, the Taxation Institute of Australia and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia. Mr Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

Mr Alfred Cheong Keng Chuan
Independent Director

Mr Cheong was appointed as the Group's Independent Director on 20 September 2005. He is currently an Executive Director of Horwath First Trust (formerly known as First trust Partnership), a local firm of certified public accountants. He has over 10 years of audit and financial consulting experience, including 6 years at the legacy Arthur Andersen from January 1996 to May 2001; and 2 years in Protiviti Pte. Ltd. from March 2003 to April 2005. Mr Cheong also has extensive experience in commercial financial management. He was previously the Regional Financial Manager at international legal firm Linklaters Allen & Gledhill Pte. Ltd. from June 2001 to May 2002, and the Financial Controller of SGX-listed company Aztech Systems Ltd., from June 2002 to October 2002. He holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia and is a Certified Practising Member of the Australian Society of Certified Practicing Accountants.

PRESENT & PAST DIRECTORSHIPS at 31 December 2008

Mr Chan Wai Meng

PRESENT DIRECTORSHIPS Company	Title	PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS Company	Title
C&G Industrial Holdings Limited	Director	Global Testing Corporation Limited	Director
Pine Agritech Limited	Director		
China Paper Holdings Limited	Director		
Synear Food Holdings Ltd	Director		

Mr Bernard Tay Ah Kong

Company	Title	Company	Title
Hengxin Technology Ltd	Director	NIL	
Juken Technology Limited	Director		
Man Wah Holdings Limited	Director		
Oakwell Engineering Limited	Director		
Reyoung Pharmaceutical Holdings Limited	Director		
China Yongsheng Limited (Global Ariel Limited)	Director		
Ramba Energy Limited (Richland Group Limited)	Director		

Mr Alfred Cheong Keng Chuan

Company	Title	Company	Title
Sinotel Technologies Ltd.	Director	NIL	
Cacola Furniture International Limited	Director		
C&G Industrial Holdings Limited	Director		

SENIOR MANAGEMENT

Mr Kelvin Yeung Kin Wai was appointed as the Group's Financial Controller on 2 May 2007. He is responsible for financial management, accounting and company secretarial matters of the Group.

Miss Jenny Yeo serves as the Vice President, Corporate Communications and Investor Relations of the Group. In this role, she is responsible for communications between the corporation and its shareholders, potential investors and the financial community. She is also responsible for the direction and oversight of Corporate Communications.

Mr Zhang Puguo is the Manager of our Production Department. He has overall responsibility for the Group's production operations and factory management.

Mr Xu Hai Yun is the Manager of our Sales and Marketing team. He is responsible for managing the Group's Sales and Marketing activities, including promotional activities, customer relationship, training of staff of distributors and specialty store operators, ensuring that Erke specialty stores are operated in accordance with the requirements and guidelines of our SI Special Retailing System.

Mr Xiong Chaoguo is the Manager of our Product Development Department. He oversees the research and development of our sports footwear, and spearheads the creation of our sports footwear designs.

Mr Dai Chao is the Manager of our Administration Department, responsible for general administration matters, including human resource and administrative procedures and policies.

Mr Huang Qian Zhen is the Manager of Finance and Accounting Department. He is responsible for the matters relating to accounting, taxation and compliance in the PRC.

CORPORATE GOVERNANCE REPORT

China Hongxing Sports Limited (the "Company") is committed to ensuring and maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference made to each of the principles of the Code of Corporate Governance introduced in April 2001 and amended in 2005 (the "Code").

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1 : Every company should be headed by an effective Board to lead and control the company.

Role of the Board of Directors (the "Board")

The Board is accountable to the shareholders and oversees the management of the business and affairs of the Company and its subsidiaries (the "Group"). It provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

a. appointment of directors and key managerial personnel;

b. announcements including approval and release of financial results and annual reports;

c. business strategy including significant acquisition and disposal of subsidiaries or assets and liabilities;

d. operating budgets, significant investments and capital expenditures; and

e. corporate policies in keeping with good corporate governance and business practice.

The Board has adopted a set of internal controls which set out the levels of authorisation and approval limits for specified types of transactions such as operating and capital expenditures as well as acquisition and disposal of investments. These arrangements have been made to facilitate management and operational efficacy in view of the changing local and global business environment. In addition to the Board's role in generally overseeing the management, the Board ensures that the Company and its subsidiaries comply with the SGX-ST Listing Manual.

To further assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

(A) BOARD MATTERS (Cont'd)

Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the directors well in advance.

The number of meetings held by the Board and Board committees and attendance thereat during the past financial year are as follows:

DIRECTORS	BOARD		AC		RC		NC	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
Wu Rongguang	4	4	4	–	3	–	1	–
Wu Rongzhao	4	4	4	–	3	–	1	–
Bernard Tay Ah Kong	4	4	4	4	3	3	1	1
Chan Wai Meng	4	4	4	4	3	3	1	1
Alfred Cheong Keng Chuan	4	4	4	4	3	3	1	1

The Board will constantly examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for itself. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

Training

Newly appointed directors will be given briefings and orientation by the Chief Executive Officer and top management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. The directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the directors' obligations to the Company.

Board Composition and Balance

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

The Board consists of five (5) directors of whom three (3) are independent. The list of directors is as follows:

Executive Directors

Wu Rongguang (appointed 28 April 2005)	(Chairman of the Board)
Wu Rongzhao (appointed 6 May 2005)	(Chief Executive Officer)

Non Executive Directors

Bernard Tay Ah Kong (appointed 20 September 2005)	(Independent)
Chan Wai Meng (appointed 20 September 2005)	(Independent)
Alfred Cheong Keng Chuan (appointed 20 September 2005)	(Independent)

CORPORATE GOVERNANCE REPORT

(A) BOARD MATTERS (Cont'd)

Board Composition and Balance (Cont'd)

The composition of the Board is reviewed by the NC which is of the view that the current Board size of five (5) directors of which three (3) are independent directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The Board comprises persons who as a group provide core competencies necessary to meet the Company's requirements. The directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group.

Independence of directors

The NC reviews the independence of each director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the three (3) independent directors (who represent more than one-third of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

Chairman and Chief Executive Officer

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

Different individuals assume the roles of the Chairman of the Board and the Chief Executive Officer ("CEO"). The Chairman of the Board is Mr Wu Rongguang, who is an executive director and the Group's General Manager. As the Executive Chairman, Mr Wu is responsible for, among others, the business direction and development of the Group, the exercise of control over quantity, quality and timeliness of the flow of information between the management of the Company and the Board. He also schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance.

He is assisted by the CEO, Mr Wu Rongzhao, who also assumes the role of the Deputy General Manager. The Executive Chairman, Mr Wu Rongguang and the CEO, Mr Wu Rongzhao are siblings.

Mr Wu Rongzhao oversees the Group's finance, production and administration departments. Mr Wu together with the management comprising each subsidiary's general managers and key seniors managers, are responsible for overall operations and execution of the Group's business strategies and the day-to-day management of the Group.

The separation of the roles of the Chairman and CEO ensures a balance of power and authority such that no one individual represents a considerable concentration of power.

(A) BOARD MATTERS (Cont'd)

Board Membership

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

The NC was established on 20 September 2005. It is chaired by Mr Chan Wai Meng (an independent director) with the following directors as members:

Alfred Cheong Keng Chuan	(an independent director)
Bernard Tay Ah Kong	(an independent director)

The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment or reappointment of members of the Board, the CEO of the Group, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a director is able to and has been adequately carrying out his duties as director of the Company, particularly where the director has multiple board representations;
- to review the independence of each director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to assess the effectiveness of the Board as a whole.

Under the Company's existing Bye-Laws, the directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. In reviewing and recommending to the Board the re-nomination and re-election of existing directors, the NC takes into consideration the directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company and Group, notwithstanding that some of the directors have multiple board representations.

For the year under review, the NC held one (1) meeting.

CORPORATE GOVERNANCE REPORT

(A) BOARD MATTERS (Cont'd)

Board Performance

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

The NC reviews the criteria for evaluating the Board's performance. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management and standards of conduct of the directors.

Access to Information

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

To assist the Board in fulfilling its responsibilities, the management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All directors have separate and independent access to the management, including the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

The directors and the chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC was established on 20 September 2005, comprising of all independent directors. It is chaired by Mr Bernard Tay Ah Kong (an independent director), with the following directors as members:

Alfred Cheong Keng Chuan	(an independent director)
Chan Wai Meng	(an independent director)

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

(B) REMUNERATION MATTERS (Cont'd)

Procedures for Developing Remuneration Policies (Cont'd)

The responsibilities of the RC include the following:

- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to administer the China Hongxing Employee Share Option Scheme ("ESOS") for directors, senior management and executives;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers and senior management of the Group and all managerial staff who are related to any of the directors or the CEO;
- to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme.

The RC reviews all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

No director is involved in determining his own remuneration.

For the year under review, the RC held three (3) meetings.

Level and Mix of Remuneration

Principle 8 : The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of non-executive directors to ensure that the remuneration commensurate with the contribution and responsibilities of the directors. The Company submits the quantum of directors' fees of each year to the shareholders for approval at each Annual General Meeting.

Non-executive directors have no service contracts. The executive directors have renewed their service contracts for a period of two years with effect from 20 September 2007.

Long term incentive scheme

The Company adopted an employee share option scheme known as "China Hongxing Employee Share Option Scheme" ('ESOS') in 20 September 2005 as a long-term incentive plan for more senior level staff based on individual performance. It is administered by the RC. No options have to-date been granted under the ESOS.

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS (Cont'd)

Disclosure on Remuneration

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

A breakdown showing the level and mix of each director and the top 5 key executives (who are not directors) for the financial year ended 31 December 2008 is set out below:

Name	Based/fixed salary %	Variable or performance related income/bonus %	Director's fee %	Other benefits %
Executive Directors				
S$500,000 and above				
Wu Rongguang	20.1	77.6	–	2.3
Wu Rongzhao	19.6	78.4	–	2.0
Independent Directors				
Below S$250,000				
Bernard Tay Ah Kong	N.A.	N.A.	100.0	N.A.
Chan Wai Meng	N.A.	N.A.	100.0	N.A.
Alfred Cheong Keng Chuan	N.A.	N.A.	100.0	N.A.
Key Executives				
Below S$250,000				
Kelvin Yeung Kin Wai	100.0	N.A.	N.A.	–
Jenny Yeo	94.1	N.A.	N.A.	5.9
Xu Hai Yun	67.8	N.A.	N.A.	32.2
Xiong Chaoguo	67.8	N.A.	N.A.	32.2
Zhang Puguo	68.1	N.A.	N.A.	31.9

There are no employees of the Group who are immediate family members of a director or the CEO and whose remuneration exceeds S$150,000 during the financial year ended 31 December 2008.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

As stated above, the Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seek to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

(C) ACCOUNTABILITY AND AUDIT (Cont'd)

Audit Committee

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

The AC comprises all non-executive and independent directors, namely, Mr Alfred Cheong Keng Chuan (who also acts as the Chairman), Mr Bernard Tay Ah Kong and Mr Chan Wai Meng.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the past financial year, the AC held four (4) meetings with the management and the internal and external auditors of the Company to discuss and review the following matters:

- the audit plans of the external auditors of the Company, and their reports arising from the audit;
- the adequacy of the assistance and cooperation given by the Company's management to the internal and external auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company;
- the report of actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;
- the interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with;
- the projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the operating results and/or the financial position of the Company and of the Group.

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT (Cont'd)

Audit Committee (Cont'd)

In performing its functions, the AC :

- met once with the external auditors, without the presence of the Company's management and reviewed the overall scope of the external audit and the assistance given by the management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly;
- generally undertakes such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time; and
- has full access to and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

The external and internal auditors have unrestricted access to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

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

Internal Controls

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

Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Company's assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management throughout the financial year ended 31 December 2008 up to the date of this report is adequate to meet the needs of the Group in its current business environment.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

(C) ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Controls (Cont'd)

However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Internal Audit

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

The Company has appointed PKF-CAP LLP, a certified public accounting firm, to review the adequacy of internal controls in its financial system and to provide recommendations to strengthen any weaknesses in its internal controls. The AC reviews the internal auditors' reports and approves the annual internal audit plans and resources to ensure that the internal auditors have the necessary resources to adequately perform its functions.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

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

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results are published through the SGXNET, news releases and the Company's website. The Company holds analyst briefings and conference calls for its quarterly results. All information of the Company's new initiatives is first disseminated via SGXNET followed by a news release, which is also available on the website.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of Annual General Meeting. Such notice is also advertised in the newspaper.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at Annual General Meetings.

CORPORATE GOVERNANCE REPORT

(E) DEALINGS IN SECURITIES

The Company has issued an Internal Compliance Code on Securities Transactions to Directors and key employees (including employees with access to price-sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and guidance of such dealings.

In line with Listing Rule 1207(18) on Dealings in Securities issued by the SGX-ST, the Company issues notifications to its Directors and key employees informing that they should not deal in the Company's securities on short term considerations or deal in the securities of the Company one month before the release of the full-year results and two weeks before the release of quarterly results. Employees who attend management committee meetings have to observe the "closed window" periods.

The Board confirms that for the financial year ended 31 December 2008, the Company has complied with Listing Rule 1207(18).

(F) INTERESTED PERSON TRANSACTION

There were no interested person transactions as defined in Chapter 9 of the SGX-ST Listing Manual, entered into by the Group during the financial year.

(G) MATERIAL CONTRACTS

Apart from the service agreement between the executive directors and the Company, there are no material contracts to which the Company or any subsidiary, is a party and which involve the interests of the chief executive officer, directors or controlling shareholders, were subsisted at the end of the financial year or entered into since the end of the previous financial year.

(H) RISK MANAGEMENT

The Company regularly reviews and improves its business and operations activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

FINANCIAL CONTENTS

REPORT OF DIRECTORS

The directors are pleased to present their report to the shareholders together with the audited consolidated financial statements of China Hongxing Sports Limited (the "Company') and its subsidiaries (the "Group") for the financial year ended 31 December 2008.

DIRECTORS

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

Wu Rongguang	-	Chairman and Executive Director
Wu Rongzhao	-	Chief Executive Officer and Executive Director
Chan Wai Meng	-	Independent Director
Bernard Tay Ah Kong	-	Independent Director
Alfred Cheong Keng Chuan	-	Independent Director

DIRECTORS' INTEREST IN CONTRACTS

Save for the Service Agreements between executive directors and the Company, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

The Company implemented the China Hongxing Employee Share Option Scheme (the "Scheme") on 20 September 2005. This Scheme enables both executive and non-executive directors and employees of our Group to acquire shares through options granted to them, if any, pursuant to the terms of the Scheme.

DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

The directors holding office at the end of the financial year and their interests in the share capital and debentures of the Company and related corporations as recorded in the registrar of directors' shareholdings kept by the Company are as follows:

	Direct interest		Deemed interest	
	As at 1 January 2008	As at 31 December 2008	As at 1 January 2008	As at 31 December 2008
The Company				
Ordinary shares of HK$0.02 each				
Wu Rongguang	460,050,000	463,050,000	-	-
Wu Rongzhao	229,950,000	230,950,000	-	-

Except as disclosed in the report, no director who held office at the end of the financial year had interests in shares or debentures of the Company and related corporations, either at the beginning or at the end of the financial year.

There was no change in any of the above mentioned interests of the Directors between the end of financial year and 21 January 2009.

DIRECTORS' SERVICE CONTRACTS

The Company entered into separate agreements (the "Service Agreements") with the executive directors, Wu Rongguang and Wu Rongzhao, for a period of two years with effect from 20 September 2007 (unless otherwise terminated by the Company upon giving not less than six months' notice to the executive directors). The Company may terminate their respective Service Agreements if they, amongst other things, commit any serious and persistent breach of the provisions of their respective Service Agreements, become of unsound mind, become bankrupt or otherwise act to the prejudice of the Company.

OPTION EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

UNISSUED SHARES UNDER OPTION

During the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

OPTION TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

REPORT OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors as follow:

Alfred Cheong Keng Chuan (Chairman)
Bernard Tay Ah Kong
Chan Wai Meng

The Audit Committee performs the functions specified in the SGX-ST, and the Code of Corporate Governance. The functions performed are detailed in the Corporate Governance Report.

The Audit Committee has nominated RSM Nelson Wheeler and Foo Kon Tan Grant Thornton for re-appointment as joint auditors of the Company at the forthcoming Annual General Meeting.

JOINT AUDITORS

Joint auditors, RSM Nelson Wheeler and Foo Kon Tan Grant Thornton, have expressed their willingness to accept re-appointment.

On behalf of the directors

Wu Rongguang
Chairman and Executive Director

Wu Rongzhao
Chief Executive Officer and Executive Director

27 March 2009

STATEMENT BY DIRECTORS

The Board of Directors is responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the Directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's results and cash flows 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Wu Rongguang
Chairman and Executive Director

Wu Rongzhao
Chief Executive Officer and Executive Director

27 March 2009

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHINA HONGXING SPORTS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the accompanying financial statements of China Hongxing Sports Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 50 to 92, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Foo Kon Tan Grant Thornton
Certified Public Accountants
Singapore

Partner-in-charge:
Leung Tak Kuen

27 March 2009

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

Partner-in-charge:
Chris W.C. Wong

27 March 2009

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	6	**2,889,191**	2,046,155
Cost of goods sold		**(1,753,590)**	(1,204,454)
Gross profit		**1,135,601**	841,701
Other income	6	**15,438**	4,047
Selling and distribution expenses		**(524,029)**	(312,468)
Administrative expenses		**(93,226)**	(60,027)
PROFIT FROM OPERATIONS	8	**533,784**	473,253
Finance costs	9	**(18,374)**	(23,173)
PROFIT BEFORE TAX		**515,410**	450,080
Income tax expense	11	**(66,895)**	(33,627)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**448,515**	416,453
EARNINGS PER SHARE		**RMB cents**	RMB cents
- Basic	13(a)	**17.66**	20.04
- Diluted	13(b)	**16.65**	18.06

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Notes	The Group 2008 RMB'000	The Group 2007 RMB'000	The Company 2008 RMB'000	The Company 2007 RMB'000
Non-current assets					
Land use rights	14	**30,925**	31,803	**-**	-
Property, plant and equipment	15	**653,566**	522,507	**-**	-
Investments in subsidiaries	16	**-**	-	**233,103**	247,914
		684,491	554,310	**233,103**	247,914
Current assets					
Inventories	17	**108,864**	115,211	**-**	-
Trade receivables	18	**478,459**	462,370	**-**	-
Land use rights	14	**878**	878	**-**	-
Due from a subsidiary	16	**-**	-	**2,836,350**	1,063,797
Prepayments, deposits and other receivables	19	**1,159,152**	278,665	**48**	51
Pledged bank balances	20	**2,400**	4,000	**-**	-
Bank and cash balances	20	**1,981,738**	2,648,892	**86,102**	1,860,588
		3,731,491	3,510,016	**2,922,500**	2,924,436
Total assets		**4,415,982**	4,064,326	**3,155,603**	3,172,350
Capital and reserves					
Share capital	23	**52,019**	52,019	**52,019**	52,019
Reserves	24	**3,821,285**	3,501,672	**2,820,008**	2,839,331
Equity attributable to shareholders of the Company		**3,873,304**	3,553,691	**2,872,027**	2,891,350
Non-current liabilities					
Redeemable non-cumulative convertible preference shares	27(b)	**271,879**	271,294	**271,879**	271,294
Current liabilities					
Trade payables	22	**155,947**	152,408	**-**	-
Bills payable	21	**6,000**	10,000	**-**	-
Accruals and other payables	25	**79,372**	59,376	**11,697**	9,706
Interest-bearing loans	26	**6,000**	8,000	**-**	-
Current tax liabilities		**23,480**	9,557	**-**	-
		270,799	239,341	**11,697**	9,706
Total liabilities		**542,678**	510,635	**283,576**	281,000
Total equity and liabilities		**4,415,982**	4,064,326	**3,155,603**	3,172,350
Net current assets		**3,460,692**	3,270,675	**2,910,803**	2,914,730
Total assets less current liabilities		**4,145,183**	3,824,985	**3,143,906**	3,162,644

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

			Reserves							
	Notes	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Redeemable non-cumulative convertible preference shares reserve RMB'000	Contributed surplus RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000	Total RMB'000
At 1 January 2007		41,800	165,510	-	101,910	215,494	17,984	218,579	719,477	761,277
Share issue expenses		-	(71,972)	-	-	-	-	-	(71,972)	(71,972)
Arising on retranslation of foreign currency		-	-	1,923	-	-	-	-	1,923	1,923
Net expense recognised directly in equity		-	(71,972)	1,923	-	-	-	-	(70,049)	(70,049)
Profit for the financial year		-	-	-	-	-	-	416,453	416,453	416,453
Total recognised income and expense for the financial year		-	(71,972)	1,923	-	-	-	416,453	346,404	346,404
Transfer to statutory reserve	24(i)	-	-	-	-	-	36,840	(36,840)	-	-
Issue of shares on placement	23(iii)	7,491	2,376,959	-	-	-	-	-	2,376,959	2,384,450
Conversion of redeemable non-cumulative convertible preference shares	23(ii)	2,728	174,900	-	(35,668)	-	-	-	139,232	141,960
2006 final dividend										
- paid to ordinary shareholders		-	-	-	-	(32,000)	-	-	(32,000)	(32,000)
- paid to redeemable non-cumulative convertible preference shares holders		-	-	-	-	(6,400)	-	-	(6,400)	(6,400)
		-	-	-	-	(38,400)	-	-	(38,400)	(38,400)
2007 interim dividend										
- paid to ordinary shareholders	12	-	-	-	-	(35,700)	-	-	(35,700)	(35,700)
- paid to redeemable non-cumulative convertible preference shares holders	12	-	-	-	-	(6,300)	-	-	(6,300)	(6,300)
		-	-	-	-	(42,000)	-	-	(42,000)	(42,000)
		10,219	2,551,859	-	(35,668)	(80,400)	36,840	(36,840)	2,435,791	2,446,010
At 31 December 2007		52,019	2,645,397	1,923	66,242	135,094	54,824	598,192	3,501,672	3,553,691

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Notes	Share capital	Share premium	Exchange reserve	Redeemable non-cumulative convertible preference shares reserve	Contributed surplus	Statutory reserve	Retained earnings	Total reserves	Total
			Reserves							
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008		52,019	2,645,397	1,923	66,242	135,094	54,824	598,192	3,501,672	3,553,691
Arising on retranslation of foreign currency		-	-	(25,302)	-	-	-	-	(25,302)	(25,302)
Net expense recognised directly in equity		-	-	(25,302)	-	-	-	-	(25,302)	(25,302)
Profit for the financial year		-	-	-	-	-	-	448,515	448,515	448,515
Total recognised income and expense for the financial year		-	-	(25,302)	-	-	-	448,515	423,213	423,213
Transfer to statutory reserve	24(i)	-	-	-	-	-	49,227	(49,227)	-	-
2007 final dividend										
- paid to ordinary shareholders	12	-	-	-	-	(55,880)	-	-	(55,880)	(55,880)
- paid to redeemable non-cumulative convertible preference shares holders	12	-	-	-	-	(5,720)	-	-	(5,720)	(5,720)
		-	-	-	-	(61,600)	-	-	(61,600)	(61,600)
2008 interim dividend										
- paid to ordinary shareholders	12	-	-	-	-	(38,100)	-	-	(38,100)	(38,100)
- paid to redeemable non-cumulative convertible preference shares holders	12	-	-	-	-	(3,900)	-	-	(3,900)	(3,900)
		-	-	-	-	(42,000)	-	-	(42,000)	(42,000)
		-	-	-	-	(103,600)	49,227	(49,227)	(103,600)	(103,600)
At 31 December 2008		52,019	2,645,397	(23,379)	66,242	31,494	104,051	997,480	3,821,285	3,873,304

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	**2008 RMB'000**	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**515,410**	450,080
Adjustments for:			
Depreciation and amortisation		**48,022**	35,509
Loss on disposal of property, plant and equipment		**19**	-
Interest on liability component of redeemable non-cumulative convertible preference shares		**17,748**	22,804
Other interest expenses		**609**	354
Interest income		**(15,036)**	(3,567)
Operating profit before working capital changes		**566,772**	505,180
Decrease/(increase) in inventories		**6,347**	(28,051)
Increase in trade receivables		**(16,089)**	(135,667)
Increase in prepayments, deposits and other receivables		**(880,487)**	(278,037)
(Decrease)/increase in trade and bills payables		**(461)**	20,698
Increase in accruals and other payables		**19,996**	26,026
Cash (used in)/generated from operations		**(303,922)**	110,149
Income taxes paid		**(52,972)**	(29,804)
Other interest paid		**(609)**	(354)
Net cash (used in)/generated from operating activities		**(357,503)**	79,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in fixed deposits		**50,200**	(50,518)
Acquisition of property, plant and equipment		**(178,222)**	(212,386)
Decrease in pledged bank balances		**1,600**	-
Interest received		**15,036**	3,467
Net cash used in investing activities		**(111,386)**	(259,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares on placement		-	2,384,450
Share issue expenses		-	(71,972)
Interest-bearing loans raised		**6,000**	8,000
Final dividend paid		**(61,600)**	(38,400)
Interim dividend paid		**(42,000)**	(42,000)
Repayment of interest-bearing loans		**(8,000)**	(10,000)
Net cash (used in)/generated from financing activities		**(105,600)**	2,230,078
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(574,489)**	2,050,632
Effect of foreign exchange rate changes		**(42,147)**	2,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,598,374**	545,442
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		**1,981,738**	2,598,374
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	20	**1,981,738**	2,598,374

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

1. **GENERAL INFORMATION**

The financial statements of the Company and of the Group for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company (Registration number: 36746) was incorporated in Bermuda on 21 April 2005 under the Bermuda Companies Act as an exempted company with limited liability. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is located at Jiangnan Torch Development Area Licheng District, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC"). The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") which includes all applicable International Financial Reporting Standard, International Accounting Standards and Interpretation issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with IFRSs.

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business Combination and Goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation difference on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in reserve in equity.

(iii) Translation on consolidation

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment, except construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Buildings	20 years or over the lease term of the relevant land use right, whichever is shorter
Leasehold improvements	Over the lease term
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Construction in progress represents buildings under construction and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and Derecognition of Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Cash and Cash Equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) **Redeemable Non-cumulative Convertible Preference Shares ("RCPS")**

RCPS which entitle the holder to convert the preference shares into a fixed number of ordinary shares at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At initial recognition, the liability component of the RCPS is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in RCPS reserve until either the RCPS is converted or redeemed.

If the RCPS is converted, the RCPS reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the RCPS is redeemed, the remaining RCPS reserve is released directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial Liabilities and Equity Instruments (continued)

(iii) **Trade and Other Payables**

Trade and other payables which are normally settled on 30 days to 60 days terms, are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iv) **Equity Instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Pursuant to the relevant regulations of the PRC government, subsidiaries in the PRC have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries 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 in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the consolidated income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Borrowing Costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

Land Use Rights

Land use rights are released to the income statement using straight-line method over the term of the lease.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Related Parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
(ii) the party is an associate;
(iii) the party is a joint venture;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Provision and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. **FINANCIAL RISK MANAGEMENT**

The Group's financial assets mainly comprise pledged bank balances, bank and cash balances, trade receivables and advances to distributors. The Group's financial liabilities include trade, bills and other payables, interest-bearing loans and RCPS.

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, liquidity risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Credit risk

The carrying amounts of the pledged bank balances, bank and cash balances, trade receivables and advances to distributors included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. As at 31 December 2008, the five largest trade receivables represent approximately 36% (2007: 44%) of the total trade receivables, and five largest advances to distributors represent approximately 47% (2007: 47%) of the total advances to distributors.

In order to minimise credit risk, the management reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on pledged bank balances, and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

4. **FINANCIAL RISK MANAGEMENT** (continued)

(ii) Interest rate risk

The Group's bank borrowings and fixed bank deposits bear interest at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to cash flow interest rate risk arises from its floating rate bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2008, if interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB6,700,000 (2007: RMB6,459,000) higher, arising mainly as a result of higher interest income on bank balances while there would have no change in other components of the consolidated equity.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008				
Trade payables	155,947	-	-	-
Bills payable	6,000	-	-	-
Accruals and other payables	79,372	-	-	-
Interest-bearing loans	6,000	-	-	-
Redeemable non-cumulative convertible preference shares	-	308,750	-	-
At 31 December 2007				
Trade payables	152,408	-	-	-
Bills payable	10,000	-	-	-
Accruals and other payables	59,376	-	-	-
Interest-bearing loans	8,000	-	-	-
Redeemable non-cumulative convertible preference shares	-	-	328,367	-

4. **FINANCIAL RISK MANAGEMENT** (continued)

(iv) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities including trade receivables and trade payables are principally denominated in Renminbi, Singapore dollars and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2008, if the Renminbi had weakened 5 per cent against the Singapore dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB16,870,000 lower (2007: RMB13,294,000 higher), arising mainly as a result of the foreign exchange loss (2007: gain) on intra-group current accounts (2007: deposits) denominated in Singapore dollar. If the Renminbi had strengthened 5 per cent against the Singapore dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB16,870,000 higher (2007: RMB13,294,000 lower), arising mainly as a result of the foreign exchange gain (2007: loss) on intra-group current accounts (2007: deposits) denominated in Singapore dollar.

There is no change in other components of the consolidated equity at 31 December 2008 and 2007, if the Renminbi had weakened or strengthened 5 per cent against the Singapore dollar with all other variables held constant.

At 31 December 2008, if the Renminbi had weakened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB15,947,000 (2007: RMB Nil) higher, arising mainly as a result of the foreign exchange gain on deposits denominated in Hong Kong dollar. If the Renminbi had strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB16,786,000 (2007: RMB Nil) lower, arising mainly as a result of the foreign exchange loss on deposits denominated in Hong Kong dollar.

There is no change in other components of the consolidated equity at 31 December 2008 and 2007, if the Renminbi had weakened or strengthened 5 per cent against the Hong Kong dollar with all other variables held constant.

(v) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. **CRITICAL JUDGEMENTS AND KEY ESTIMATES**

Critical Judgments in Applying Accounting Policies

In the process of applying the accounting policies, the management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements:

Legal title of certain buildings

Included in buildings at 31 December 2008 are factory premises with carrying amount of approximately RMB16,137,000 (2007: RMB240,812,000). The construction of these premises was completed in 2008 and the Group did not have the relevant building ownership certificates. The management is making the application for the relevant building ownership certificates and expects that the application and the transfer of legal titles in the future should have no major difficulties. In the opinion of the management, the Group will not encounter any legal barrier in obtaining such building ownership certificates. Also, included in buildings at 31 December 2008 is an office building with carrying amount of approximately RMB4,482,000 (2007: RMB4,758,000) in respect of which the Group did not have the relevant building ownership certificate. Despite the fact that the Group has not obtained the relevant legal titles, the management determines to recognise those buildings as property, plant and equipment of the Group and the Group is in substance controlling those buildings.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated , or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Presentation of RCPS and fair value of liabilities component of RCPS

RCPS are presented as compound instruments, consisting of a liability component and an equity component. Classification of compound instruments is based on management judgment on applying applicable financial reporting standards on the RCPS. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The choice of market interest rate is based on management's knowledge about the capital market. Any difference in interest rate will affect the calculations of liability and equity components. The difference between the proceeds of issue of the RCPS and the fair value assigned to the liability component, representing the embedded option for the holder to convert the RCPS into equity of the Group, is included in equity.

5. **CRITICAL JUDGEMENTS AND KEY ESTIMATES** (continued)

Key Sources of Estimation Uncertainty (continued)

(b) Presentation of RCPS and fair value of liabilities component of RCPS (continued)

The interest expense on the liability component is calculated by using the effective interest method to the liability component of the instrument until it is extinguished on conversion or redemption. This amount is added to the carrying amount of the RCPS.

The fair value at the date of issue and carrying amount at 31 December 2008 of the liability component of RCPS was approximately RMB378,797,000 and RMB271,879,000 respectively.

(c) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment loss for other receivables

Included in prepayments, deposits and other receivables at 31 December 2008 are advances to distributors of approximately RMB1,155,460,000 (2007: RMB277,500,000) which are unsecured, interest-free and repayable within one year. The Group performs ongoing credit evaluation of the distributors' financial condition. Before the advances are granted, distributors are required to submit detailed usage plans for the Group's approval. Only usage plans with proper fund usage and project profitability will be approved by the Group. Management is not aware of any recoverability problem on these advances to distributors up to present.

6. **REVENUE AND OTHER INCOME**

	The Group	
	2008 **RMB'000**	2007 RMB'000
Revenue		
Sales of goods	**2,889,191**	2,046,155
Other income		
Interest income	**15,036**	3,567
Sundry income	**402**	480
	15,438	4,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

7. SEGMENT INFORMATION

The Group is principally engaged in the design, manufacture and sales of sports shoes, sports apparel and sport accessories in the PRC and all of its customers are based in the PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no segmental analysis is presented.

8. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Notes	The Group **2008** **RMB'000**	 2007 RMB'000
Auditors' remuneration		**1,672**	1,591
Non-audit fee paid to auditors		**233**	267
Advertising and promotion fees paid to an advertising agent		**499,200**	300,000
Cost of inventories sold (note (i))		**1,753,590**	1,204,454
Depreciation		**47,144**	34,631
Directors' remuneration			
- Salaries, allowance and benefits-in-kind		**10,957**	10,330
- Retirement benefit scheme contributions	10	**91**	91
		11,048	10,421
Net exchange losses		**11,747**	1,045
Operating lease rentals			
- Amortisation of land use rights	14	**878**	878
- Other operating lease		**5,777**	92
Research and development costs (note (ii))		**9,704**	7,490
Loss on disposal of property, plant and equipment		**19**	-
Staff costs, excluding directors' remuneration			
- Salaries, wages and allowances		**124,543**	95,386
- Retirement benefit scheme contributions	10	**30,539**	24,104
- Other costs		**23,701**	16,610
		178,783	136,100

Notes:

(i) Cost of inventories sold includes approximately RMB170,911,000 (2007:RMB136,078,000) relating to staff costs and depreciation, which are included in the respective amounts disclosed separately above for each of these types of expenses for the financial year ended 31 December 2008.

(ii) Research and development costs include approximately RMB7,304,000 (2007:RMB5,090,000) relating to staff costs, which are included in the amount of staff costs disclosed separately above for the financial year ended 31 December 2008.

9. FINANCE COSTS

	The Group	
	2008	2007
	RMB'000	RMB'000
Interest on liability component of RCPS (note 27)	**17,748**	22,804
Interest on bank loans	**609**	354
Handling charges	**17**	15
	18,374	23,173

10. RETIREMENT BENEFIT COSTS

The eligible employees of the Group, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the consolidated income statement for the financial year ended 31 December 2008 were approximately RMB30,630,000 (2007: RMB24,195,000) (note 8) representing contributions paid and payable to the scheme for the year.

11. INCOME TAX EXPENSE

(i) The amount of tax represents:

	The Group	
	2008	2007
	RMB'000	RMB'000
PRC enterprise income tax - current	**66,895**	33,627

Pursuant to relevant laws and regulations in the PRC applicable for the financial year ended 31 December 2007, subsidiaries of the Group which were established in the PRC ("PRC Subsidiaries") are required to pay PRC enterprise income tax at a rate of 24% of their taxable income plus a local income tax of 3% of their taxable income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

11. **INCOME TAX EXPENSE** (continued)

(i) The amount of tax represents: (continued)

The new PRC enterprise income tax law ("New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. Therefore, the applicable tax rate for the PRC Subsidiaries is 25% since 1 January 2008.

Quanzhou Hongrong Light Industry Co., Ltd. ("Hongrong Light Industry") is exempted from PRC enterprise income tax for the period from 1 April 2006 to 31 March 2008 and thereafter is entitled to a 50% reduction in PRC enterprise income tax for the period from 1 April 2008 to 31 March 2011. In addition, it is exempted from local income tax of 3% for a period of five years commencing from 1 April 2006. Accordingly from 1 April 2008 onward, Hongrong Light Industry is subject to an enterprise income tax rate of 12%.

Fujian Hongxing Erke Sports Goods Co. Ltd. ("Hongxing Erke") is subject to the PRC enterprise income tax at a rate of 25% (2007: 27%) for the financial year ended 31 December 2008.

Other than Hongxing Erke and Hongrong Light Industry, all other PRC Subsidiaries have no taxable income since establishment.

(ii) A reconciliation of the expected theoretical taxation with the taxation charged to the consolidated income statement is presented below:

	The Group	
	2008	2007
	RMB'000	RMB'000
Profit before tax	**515,410**	450,080
Tax at the applicable tax rate of 25% (2007: 27%)	**128,853**	121,522
Tax effect of expenses that are not deductible	**14,815**	14,665
Tax effect of income that are not taxable	**(1,462)**	(698)
Tax effect of temporary differences not recognised	**3,123**	(390)
Tax effect of tax concession	**(78,434)**	(101,472)
Income tax expense	**66,895**	33,627

11. **INCOME TAX EXPENSE** (continued)

(iii) Under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC.

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 December 2007 in the Group's PRC Subsidiaries will not be subject to 10% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from the Group's PRC Subsidiaries in respect of their profits generated on or after 1 January 2008. As at 31 December 2008, temporary differences relating to the undistributed profits of the Group's PRC Subsidiaries amounted to RMB489.9 million (2007: Nil). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these foreign-invested enterprises and it has been determined that it is probable that profits will not be distributed by these foreign-invested enterprises in the foreseeable future.

No provision for deferred taxation has been made in the financial statements as the tax effect of other temporary differences is immaterial is to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

12. DIVIDENDS

	Group and the Company	
	2008	2007
	RMB'000	RMB'000
To ordinary shareholders		
Interim of approximately SG$0.003 (equivalent to RMB0.015) (2007: approximately SG$0.0035 (equivalent to RMB0.0175)) per share paid	**38,100**	35,700
Proposed final of approximately SG$Nil (2007: approximately SG$0.0044 (equivalent to RMB0.022)) per share payable	**-**	55,880
	38,100	91,580
To RCPS holders		
Interim of approximately SG$0.015 (equivalent to RMB0.075) (2007: approximately SG$0.0175 (equivalent to RMB0.0875)) per RCPS paid	**3,900**	6,300
Proposed final of approximately SG$Nil (2007: approximately SG$0.022 (equivalent to RMB0.11)) per RCPS payable	**-**	5,720
	3,900	12,020

For the year ended 31 December 2008, no final dividend was declared.

For the year ended 31 December 2007, the final dividend of approximately SG$0.0044 (equivalent to RMB0.022) per ordinary share and approximately SG$0.022 (equivalent to RMB0.11) per RCPS totalling approximately SG$12,194,000 (equivalent to approximately RMB61,600,000) is calculated based on the 2,540,000,000 ordinary shares and 52,000,000 RCPS in issue.

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2008	2007
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	**448,515**	416,453
	2008	2007
	'000	'000
Weighted average number of ordinary shares in issue for basic earnings per share	**2,540,000**	2,078,466
Basic earnings per share (RMB cents)	**17.66**	20.04

(b) Diluted earnings per share

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect of all outstanding dilutive potential ordinary shares. The Company has a class of dilutive potential ordinary shares: RCPS. The RCPS are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense on the RCPS less the tax effect. The number of shares calculated as such is compared with the number of shares that would have been issued assuming the conversion of the RCPS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

13. **EARNINGS PER SHARE** (continued)

(b) Diluted earnings per share (continued)

	The Group	
	2008	2007
	RMB'000	RMB'000
Earnings		
Profit attributable to shareholders of the Company	**448,515**	416,453
Effect of dilutive potential ordinary shares: Interest on liability component of RCPS	**17,748**	22,804
Net profit for the purpose of calculating diluted earnings per share	**466,263**	439,257

	2008	2007
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings per share	**2,540,000**	2,078,466
Effect of dilutive potential ordinary shares: - RCPS	**260,000**	353,315
Weighted average number of ordinary shares for diluted earnings per share	**2,800,000**	2,431,781
Diluted earnings per share (RMB cents)	**16.65**	18.06

14. LAND USE RIGHTS

	The Group RMB'000
Cost	
At 1 January 2007, at 31 December 2007 and at 31 December 2008	**34,656**
Accumulated amortisation	
At 1 January 2007	**1,097**
Amortisation for the financial year	**878**
At 31 December 2007	**1,975**
Amortisation for the financial year	**878**
At 31 December 2008	**2,853**
Carrying amount	
At 31 December 2008	**31,803**
At 31 December 2007	**32,681**

The land use rights are held under medium term leases and situated in the PRC.

At 31 December 2008 certain land use rights with carrying amount of approximately RMB4,382,000 (2007: RMB4,674,000) were pledged to secure certain banking facilities of the Group (note 21).

The following is the analysis of the land use rights for financial reporting purposes:

	2008 RMB'000	2007 RMB'000
Carrying amount	**31,803**	32,681
Less: Amount to be amortised within one year (shown under current assets)	**(878)**	(878)
Amount to be amortised after one year	**30,925**	31,803

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2007	132,875	-	135,489	5,320	127	80,299	354,110
Additions	13,382	-	121,862	20,404	-	56,738	212,386
Transfer	129,042	-	-	-	-	(129,042)	-
At 31 December 2007 and 1 January 2008	275,299	-	257,351	25,724	127	7,995	566,496
Additions	-	37,647	64,578	-	-	75,997	178,222
Disposals	-	-	-	-	(20)	-	(20)
Reclassifications	-	-	12,440	(12,440)	-	-	-
Transfer	83,992	-	-	-	-	(83,992)	-
At 31 December 2008	359,291	37,647	334,369	13,284	107	-	744,698
Accumulated depreciation							
At 1 January 2007	2,651	-	6,109	554	44	-	9,358
Charge for the year	10,083	-	22,210	2,323	15	-	34,631
At 31 December 2007 and 1 January 2008	12,734	-	28,319	2,877	59	-	43,989
Charge for the year	13,085	3,036	28,734	2,274	15	-	47,144
Disposals	-	-	-	-	(1)	-	(1)
Reclassifications	-	-	219	(219)	-	-	-
At 31 December 2008	25,819	3,036	57,272	4,932	73	-	91,132
Carrying amount							
At 31 December 2008	333,472	34,611	277,097	8,352	34	-	653,566
At 31 December 2007	262,565	-	229,032	22,847	68	7,995	522,507

Buildings are situated in the PRC.

The Group's buildings with an aggregate carrying amount of approximately RMB16,018,000 (2007: RMB16,995,000) as at 31 December 2008 were pledged to secure certain banking facilities of the Group (note 21).

Included in buildings at 31 December 2008 is an office building with carrying amount of approximately RMB4,482,000 (2007: RMB4,758,000) in respect of which the Group did not have the relevant building ownership certificate.

Also included in buildings at 31 December 2008 are factory premises with carrying amount of approximately RMB16,137,000 (2007: RMB240,812,000). The construction of these premises was completed in 2008 and the Group did not have the relevant building ownership certificates. The management is making the application for the relevant building ownership certificates. In the opinion of the management, the Group will not encounter any legal barrier in obtaining such building ownership certificates.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	RMB'000
Non-current assets		
Unquoted investments, at cost	**233,103**	247,914

The movement is due to translation difference only.

Current assets		
Due from a subsidiary	**2,836,350**	1,063,797

The amount due from a subsidiary is non-trade in nature, unsecured, interest free, repayable on demand and denominated in Singapore dollars.

The details of subsidiaries are as follows:

Name	Date and place of incorporation/ establishment and operation	Percentage of equity interest attributable to the Group	Paid-up share capital/ registered capital	Principal activities
Directly held:				
Profitstart Group Limited ("Profitstart") (note (v))	30 November 2004 The British Virgin Islands ("BVI")	100%	US$10,000	Investment holding
Indirectly held:				
Crowngain Investments Limited (note (v))	30 November 2004 BVI	100%	US$2	Investment holding
Groupnew Investments Limited (note (v))	30 November 2004 BVI	100%	US$3	Investment holding
Hongxing Erke (notes (i) and (iii))	8 June 2000 PRC	100%	US$50,000,000	Design, manufacture and sales of sports shoes, sports apparel, and sports accessories
Hongrong Light Industry (notes (ii) and (iii))	21 April 2003 PRC	100%	RMB400,000,000	Design, manufacture and sales of sports shoes, sports apparel, and sports accessories

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

16. **INVESTMENTS IN SUBSIDIARIES** (continued)

Name	Date and place of incorporation/ establishment and operation	Percentage of equity interest attributable to the Group	Paid-up share capital/ registered capital	Principal activities
Indirectly held:				
Hongrong Sports Goods Co., Ltd. Fujian ("Hongrong Sports Goods") (note (iv))	16 June 2006 PRC	100%	RMB200,000,000	Not yet commence business
Fujian Hongrong Shoes & Garments Co. Ltd. ("Hongrong Shoes & Garments") (note (iv))	16 June 2006 PRC	100%	RMB200,000,000	Not yet commence business

Notes:

(i) Hongxing Erke is a wholly foreign owned enterprise with an operation period of 50 years commencing from 8 June 2000. The principal place of business is located at Jiangnan Torch Development Area, Licheng District, Quanzhou City, Fujian Province, the PRC.

(ii) Hongrong Light Industry is a wholly foreign owned enterprise with an operation period of 50 years commencing from 21 April 2003. The principal place of business is located at Jiangnan High-Tech Electronic and Information Industry Garden, Licheng District, Quanzhou City, Fujian Province, the PRC.

(iii) The statutory financial statements of Hongxing Erke and Hongrong Light Industry, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 泉州名城有限責任會計師事務所 for tax filing purpose.

(iv) Hongrong Sports Goods and Hongrong Shoes & Garments are wholly foreign owned enterprises with respective operation period of 50 years commencing from 16 June 2006. The principal place of business of Hongrong Sports Goods and Hongrong Shoes & Garments are located at Jiangnan High-Tech Electronic and Information Industry Garden, Licheng District, Quanzhou City, Fujian Province, the PRC. Hongrong Sports Goods and Hongrong Shoes & Garments have not yet commenced business since establishment. The statutory financial statements of Hongrong Sports Goods and Hongrong Shoes & Garments, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 泉州名城有限責任會計師事務所 for tax filing purpose.

(v) Not required to be audited under the laws of country of incorporation.

17. INVENTORIES

	The Group	
	2008	2007
	RMB'000	RMB'000
Raw materials	**10,205**	15,000
Work in progress	**27,378**	28,518
Finished goods	**71,281**	71,693
	108,864	115,211

18. TRADE RECEIVABLES

The Group's trading terms with customers are on credit. The credit terms were 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

At 31 December 2007 and 2008, no receivables were past due and not impaired.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to distributors	**1,155,460**	277,500	**-**	-
Prepayments	**1,810**	961	**-**	-
Deposits	**1,692**	5	**-**	-
Other receivables	**190**	199	**48**	51
	1,159,152	278,665	**48**	51

Advances to distributors of approximately RMB1,155.5 million (2007: RMB277.5 million) are to facilitate the distributors in setting up 358 (2007: approximately 100) new stores in 21 (2007: 20) provinces/cities with the view of expanding the Group's sales network.

Advances to distributors are unsecured, interest-free and repayable within one year. In case that the distributors default on repayment, the Group can take over the distributors' operating right of the stores under this advance arrangement, and assets (including but not limited to all goods) pursuant to the advance agreements.

Pursuant to a guarantee executed on 25 March 2009, the Company's executive directors, namely Mr Wu Rongguang and Mr Wu Rongzhao, and a shareholder, namely Mr Wu Hanjie, jointly and severally guarantee the repayment of all outstanding sums due and owing by the distributors to the Group together with all interest, costs and charges (including legal charges) and expenses which the Group may incur in enforcing payment for the outstanding sum due to the Group from the distributors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

20. PLEDGED BANK BALANCES AND BANK AND CASH BALANCES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**1,530,439**	546,589	**4,596**	10,875
Fixed bank deposits	**451,299**	2,102,303	**81,506**	1,849,713
	1,981,738	2,648,892	**86,102**	1,860,588
Pledged bank balances	**2,400**	4,000	**-**	-

Fixed bank deposits are made for varying periods between one day and three months (2007: between one day and six months). The weighted average effective interest rate of fixed bank deposits is 1.99% (2007: 2.54%) per annum at 31 December 2008.

Other bank deposits are carried at floating interest rates ranging from 0.0001% to 0.36% per annum at 31 December 2008.

The Group's pledged bank balances represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 21 to the financial statements.

For the purpose of consolidated cash flow statement, the cash and cash equivalents comprised the following:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank and cash balances	**1,981,738**	2,648,892	**86,102**	1,860,588
Less: Fixed bank deposits over three months	**-**	(50,518)	**-**	-
Cash and cash equivalents	**1,981,738**	2,598,374	**86,102**	1,860,588

20. **PLEDGED BANK BALANCES AND BANK AND CASH BALANCES** (continued)

Bank and cash balances are denominated in the following currencies:

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,508,023**	533,290	**-**	-
Singapore dollars	**153,331**	2,113,244	**86,102**	1,860,588
Hong Kong dollars	**320,301**	2,276	**-**	-
Others	**83**	82	**-**	-
	1,981,738	2,648,892	**86,102**	1,860,588

Included in the bank and cash balances of the Group is approximately RMB1,508,023,000 (2007: RMB533,290,000) denominated in RMB which is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

21. **BANKING FACILITIES**

At 31 December 2008, the banking facilities of the Group including the bills payable were secured by the following:

(i) Corporate guarantee executed by a trade creditor to an aggregate extent of RMB Nil (2007: RMB30,000,000).

(ii) The pledge of bank balances of the Group of approximately RMB2,400,000 (2007: RMB4,000,000) as at 31 December 2008.

(iii) Land use rights and buildings of the Group with an aggregate carrying amount of approximately RMB20,400,000 (2007: RMB21,669,000) as at 31 December 2008 (notes 14 and 15).

22. **TRADE PAYABLES**

Trade payables generally have credit terms ranging from 30 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

23. **SHARE CAPITAL**

		The Group and Company		
	Notes	Number	HK$'000	Equivalent to RMB'000
Authorised share capital				
At 1 January 2007, ordinary shares of HK$0.10 each		1,000,000,000	100,000	104,500
Sub-division of shares	(i)	4,000,000,000	-	-
At 31 December 2007 and 31 December 2008, ordinary shares of HK$0.02 each		5,000,000,000	100,000	104,500
Issued and fully paid share capital				
At 1 January 2007, ordinary shares of HK$0.10 each		400,000,000	40,000	41,800
Sub-division of shares	(i)	1,600,000,000	-	-
Issue of ordinary shares of HK$0.02 each arising from conversion of RCPS	(ii)	140,000,000	2,800	2,728
Issue of ordinary shares of HK$0.02 each on placement	(iii)	400,000,000	8,000	7,491
At 31 December 2007 and 31 December 2008, ordinary shares of HK$0.02 each		2,540,000,000	50,800	52,019

Notes:

(i) In March 2007, the Company made an application to the SGX-ST for the sub-division and the listing and quotation of (a) every existing share into five ordinary shares of par value HK$0.02 each in the capital of the Company, (b) up to 800,000,000 new ordinary shares of HK$0.02 each in the capital of the Company upon the conversion of the RCPS, and (c) new ordinary shares of HK$0.02 each upon the stock settlement of the make whole amount in accordance with the terms of the RCPS. After approval from SGX, trading of subdivided shares commenced on 3 May 2007.

(ii) In 2007, an aggregate of 28,000,000 RCPS held by four RCPS holders were converted to 140,000,000 ordinary shares of par value HK$0.02 each.

23. **SHARE CAPITAL** (continued)

Notes: (continued)

(iii) On 16 November 2007, the Company and a placing agent entered into a placement agreement in respect of the placement of 400,000,000 ordinary shares of HK$0.02 each to independent investors at SG$1.18 per share. The placement was completed on 3 December 2007 and the premium on the issue of shares, amounting to approximately RMB2,304,987,000, net of share issue expenses, was credited to the Company's share premium account.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings and other reserves).

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the debt-to-adjusted capital ratio at the lower end of the range 0.5:1 to 1:1, in order to secure access to finance at a reasonable cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

23. **SHARE CAPITAL** (continued)

Capital Management (continued)

The net debt-to-adjusted capital ratio at 31 December 2008 and 2007 were as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total debt	**542,678**	510,635	**283,576**	281,000
Add: Proposed dividends	**-**	61,600	**-**	61,600
Less: Cash and cash equivalents (Note 20)	**(1,981,738)**	(2,598,374)	**(86,102)**	(1,860,588)
Net (cash)/debt	**(1,439,060)**	(2,026,139)	**197,474**	(1,517,988)
Total equity	**3,873,304**	3,553,691	**2,872,027**	2,891,350
Less: Proposed final dividends	**-**	(61,600)	**-**	(61,600)
Adjusted capital	**3,873,304**	3,492,091	**2,872,027**	2,829,750
Net debt-to-adjusted capital ratio	**-**	**-**	**6.88%**	-

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

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

24. RESERVES

(i) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity in the consolidated financial statements.

In accordance with the relevant PRC regulations, the Group's PRC Subsidiaries are required to appropriate not less than 10% of the profit after tax, if any, to a statutory reserve, until the balance of the reserve reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the PRC Subsidiaries. The PRC Subsidiaries are prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

(ii) The Company

	Notes	Share Premium RMB'000	Redeemable Non-cumulative Convertible Preference Shares Reserve RMB'000	Exchange Reserve RMB'000	Contributed Surplus RMB'000	(Accumulated Losses)/ Retained Earnings RMB'000	Total RMB'000
At 1 January 2007		165,510	101,910	-	215,494	28,172	511,086
Loss for the financial year		-	-	-	-	(38,567)	(38,567)
Share issue expenses		(71,972)	-	-	-	-	(71,972)
Issue of shares on placement	23(iii)	2,376,959	-	-	-	-	2,376,959
Conversion of RCPS	23(ii)	174,900	(35,668)	-	-	-	139,232
2006 final dividend paid							
- to ordinary shareholders		-	-	-	(32,000)	-	(32,000)
- to RCPS holders		-	-	-	(6,400)	-	(6,400)
2007 interim dividend paid							
- to ordinary shareholders	12	-	-	-	(35,700)	-	(35,700)
- to RCPS holders	12	-	-	-	(6,300)	-	(6,300)
Arising on retranslation of foreign currency		-	-	2,993	-	-	2,993
At 31 December 2007		2,645,397	66,242	2,993	135,094	(10,395)	2,839,331
At 1 January 2008		2,645,397	66,242	2,993	135,094	(10,395)	2,839,331
Profit for the financial year		-	-	-	-	260,657	260,657
2007 final dividend paid							
- to ordinary shareholders	12	-	-	-	(55,880)	-	(55,880)
- to RCPS holders	12	-	-	-	(5,720)	-	(5,720)
2008 interim dividend paid							
- to ordinary shareholders	12	-	-	-	(38,100)	-	(38,100)
- to RCPS holders	12	-	-	-	(3,900)	-	(3,900)
Arising on retranslation of foreign currency		-	-	(176,380)	-	-	(176,380)
At 31 December 2008		2,645,397	66,242	(173,387)	31,494	250,262	2,820,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

24. **RESERVES** (continued)

The share premium of the Group and the Company includes the premium arising from the issue of new shares during the financial period ended 31 December 2005, net of the share issue expenses, and, the issue of new shares on placement and on conversion of RCPS during the financial year ended 31 December 2007,net of share issue expenses.

Contributed surplus of the Group and the Company arose as a result of the restructuring exercise and represents the difference between the then consolidated net assets value of subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

Redeemable non-cumulative convertible preference shares reserve represents the value of the unexercised equity component of RCPS issued by the Company recognised in accordance with the accounting policy adopted for RCPS set out in note 3.

25. **ACCRUALS AND OTHER PAYABLES**

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals and other payables	**40,782**	32,209	**11,697**	9,706
Value-added tax payable	**38,590**	27,167	**-**	-
	79,372	59,376	**11,697**	9,706

26. INTEREST-BEARING LOANS

	The Group	
	2008	2007
	RMB'000	RMB'000
Secured short term bank loans (note 21)	**6,000**	8,000

At 31 December 2008, the Group's interest-bearing loans bear interest of 5.84% (2007: 7.47%) per annum.

27. REDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES

(a) Authorised

The total authorised number of RCPS as at 31 December 2008 is 150,000,000 shares with a par value of HK$0.01 each.

(b) Issued and fully paid

The net proceeds received from the issue of the RCPS have been split between the liability element and equity component representing the embedded option to convert the liability into equity of the Group, as follows:

	The Group and Company	
	2008	2007
	RMB'000	RMB'000
Equity component at 1 January	**66,242**	101,910
Conversion of 28,000,000 RCPS during the year ended 31 December 2007	**-**	(35,668)
Equity component at 31 December	**66,242**	66,242
Liability component at 1 January	**271,294**	389,971
Conversion of 28,000,000 RCPS during the year ended 31 December 2007	**-**	(141,960)
Interest charged at effective interest rate of 6.57% (note 9)	**17,748**	22,804
Exchange differences	**(17,163)**	479
Liability component at 31 December	**271,879**	271,294

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

27. **REDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES** (continued)

(c) The principal terms and conditions of the RCPS are summarised below:

Title	RCPS with a par value HK$0.01 each
Issue Size	52,000,000 RCPS (2007: 52,000,000 RCPS) fully convertible into five fully paid new ordinary shares of par value HK$0.02 each at the conversion price of SG$1.25 per each RCPS
Par Value	HK$0.01 per RCPS
Issue Price	SG$1.25 per RCPS
Dividend Rights	The RCPS do not carry a fixed rate of dividend, but the holders are entitled to dividends at the same rate as the ordinary shares as if the RCPS has been fully converted into ordinary shares at the applicable conversion price. In all other respects, the RCPS will rank in priority, to the holders of ordinary shares, and to any dividend or distribution in favour of holders of, any capitalisation issue in respect of or any buy-back of, any other classes of shares in the Company.
Conversion Price	The conversion price of SG$1.25 is fixed in accordance with the terms and conditions of the RCPS.
Conversion Rights	Holders may at any time and from time to time to convert all or any of their RCPS at the conversion price.
Redemption Rights	The RCPS, unless exercised, will be subject to mandatory redemption on the mature date at 31 December 2010 at the redemption price of SG$1.25 per RCPS, an amount equivalent to the original issue price of the RCPS. The RCPS will also carry optional redemption rights exercisable by the RCPS holders upon the occurrence of certain specific events.
Ranking of Shares	All new ordinary shares issued upon conversion of the RCPS shall be issued at the applicable conversion price, credited as fully paid-up and rank pari passu in all respects with the ordinary shares then in issue.

27. **REDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES** (continued)

(c) The principal terms and conditions of the RCPS are summarised below: (continued)

Voting rights and transferability	The RCPS will have no voting rights attached except in relation to a class meeting of RCPS holders, resolution to vary the rights and privileges attaching to the RCPS or to wind up the Company, or where any dividend payable on the RCPS is in or is deemed to be in arrear and remains unpaid for at least three months or as permitted by the Companies Act. The RCPS are not transferable, except that an RCPS holder may transfer all or any part of its RCPS to any of its related corporations or to any entity which is advised or managed by the same investment adviser or investment manager.

(d) The fair value of the liability component of the RCPS approximates its carrying amount at 31 December 2008. This fair value has been calculated by discounting the future cash flows at the market rate prevailing as at date of issue.

(e) Dividends on RCPS:

	2008 RMB'000	2007 RMB'000
Interim of approximately SG$0.015 (equivalent to RMB0.075) (2007: approximately SG$0.0175 (equivalent to RMB0.0875)) per RCPS paid	**3,900**	6,300
Proposed final of approximately SG$Nil (2007: approximately SG$0.022 (equivalent to RMB0.11)) per RCPS payable	**-**	5,720
	3,900	12,020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

28. **COMMITMENTS**

At 31 December 2008, the Group had the following commitments:

(i) Capital commitments

	2008 RMB'000	2007 RMB'000
Construction of factory premises	**-**	602

(ii) Operating lease commitments

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

	2008 RMB'000	2007 RMB'000
Within one year	**8,906**	34
In the second to fifth years inclusive	**33,647**	-
After five years	**17,971**	-
	60,524	34

(iii) Other commitments

	2008 RMB'000	2007 RMB'000
Contracted but not provided for		
Advertising expenditures due within one year	**600,000**	499,200
Research and development expenditures due within one year	**2,400**	2,400

The Company did not have any significant commitments as at 31 December 2008.

29. CONTINGENT LIABILITIES

At 31 December 2008, the Group and the Company did not have any significant contingent liabilities.

30. RELATED PARTY TRANSACTIONS

Other than the related party transaction disclosed in note 19 to the financial statements in relation to the personal guarantee provided by the executive directors and a shareholder, the Group and the Company did not have other related party transactions during the year.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 19 January 2009, an aggregate of 24,892,000 RCPS held by three RCPS holders were converted to 124,460,000 ordinary shares of par value HK$0.02 each.

On 2 March 2009, an aggregate of 17,500,000 RCPS held by three RCPS holders were converted to 87,500,000 ordinary shares of par value HK$0.02 each.

SHAREHOLDINGS STATISTICS

AS AT 19 MARCH 2009

SHARE CAPITAL

Authorised share capital	:	HK$101,500,000 divided into 5,000,000,000 ordinary shares of HK$0.02 each and 150,000,000 Redeemable non-cumulative convertible preference shares ('RCPS') of HK$0.01 each
Issued and fully paid	:	HK$55,135,280 divided into 2,751,960,000 ordinary shares of HK$0.02 each and 9,608,000 RCPS of HK$0.01 each
Classes of shares	:	Ordinary shares of HK$0.02 each and RCPS of HK$0.01 each
Voting rights	:	One vote per ordinary share RCPS voting rights as per the Subscription Agreement dated 13 April 2006

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2009 (AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Wu Rongguang	463,050,000	16.83	–	–
Wu Rongzhao	230,950,000	8.39	–	–
Wu Hanjie (1)	230,050,000	8.36	–	–
JF Asset Management (Singapore) Limited	235,051,000	8.54	–	–
Wasatch Advisors, Inc.	–	–	157,719,280	5.73
The Overlook Partners' Fund L.P.	165,049,000	6.00	–	–

Notes:

(1) Mr Wu Hanjie is the father of Mr Wu Rongguang and Mr Wu Rongzhao.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

66.42% of the Company's shares are held in the hands of the Public. Accordingly, the Company has complied with the Rule 723 of the Listing Manual of the SGX-ST.

SHAREHOLDINGS STATISTICS

AS AT 19 MARCH 2009

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	6	0.05	1,145	0.00
1,000 – 10,000	4,732	35.76	34,859,839	1.27
10,001 – 1,000,000	8,439	63.78	577,658,763	20.99
1,000,001 AND ABOVE	54	0.41	2,139,440,253	77.74
TOTAL	**13,231**	**100.00**	**2,751,960,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	WU RONGGUANG	463,050,000	16.83
2.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	337,443,700	12.26
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	292,082,550	10.61
4.	DBS NOMINEES PTE LTD	223,285,010	8.11
5.	UOB KAY HIAN PTE LTD	164,480,000	5.98
6.	RAFFLES NOMINEES PTE LTD	161,467,874	5.87
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	110,552,205	4.02
8.	DBSN SERVICES PTE LTD	80,124,000	2.91
9.	WU HANJIE	50,025,000	1.82
10.	MERRILL LYNCH (SINGAPORE) PTE LTD	33,706,159	1.22
11.	PHILLIP SECURITIES PTE LTD	31,078,000	1.13
12.	OCBC SECURITIES PRIVATE LTD	21,173,000	0.77
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	20,680,000	0.75
14.	CIMB-GK SECURITIES PTE. LTD.	15,719,000	0.57
15.	UNITED OVERSEAS BANK NOMINEES PTE LTD	13,979,245	0.51
16.	DB NOMINEES (SINGAPORE) PTE LTD	13,699,510	0.50
17.	YEO BOON HING	12,633,000	0.46
18.	KIM ENG SECURITIES PTE. LTD.	11,460,000	0.42
19.	AMFRASER SECURITIES PTE. LTD.	6,850,000	0.25
20.	LIM & TAN SECURITIES PTE LTD	5,877,000	0.21
	TOTAL	**2,069,365,253**	**75.20**

NOTICE OF ANNUAL GENERAL MEETING

CHINA HONGXING SPORTS LIMITED
(Incorporated in Bermuda)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Meeting Room 202, Level 2, Suntec Singapore International Convention and Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 28 April 2009 at 3.00 pm, for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Wu Rongzhao, a Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. [See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Alfred Cheong Keng Chuan, a Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. [See Explanatory Note (ii)] **(Resolution 3)**

4. To re-elect Mr Chan Wai Meng, a Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. [See Explanatory Note (iii)] **(Resolution 4)**

5. To re-elect Mr Bernard Tay Ah Kong, a Director retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. [See Explanatory Note (iv)] **(Resolution 5)**

6. To approve the payment of S$215,000 as Directors' Fees for the financial year ending 31 December 2009, to be paid quarterly in arrears. (2008:S$180,000) **(Resolution 6)**

7. To re-appoint Messrs Foo Kon Tan Grant Thornton and Messrs RSM Nelson Wheeler as auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

9. "**SHARE ISSUE MANDATE**

That pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

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

   (ii) make or grant offers, agreements or options that may or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares (collectively, the "**Instruments**"),

2. (notwithstanding that the authority conferred by paragraph 1 of this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

a. the aggregate number of Shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below), of which the aggregate number of Shares to be offered other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below);

b. for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph a. above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of this resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

c. the fifty per cent. (50%) limit under sub-paragraph a. above, may be increased to one hundred per cent. (100%) where the Company undertakes a pro-rata renounceable rights issue;

d. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the memorandum of association and Bye-laws for the time being of the Company; and

e. unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue Shares pursuant to any Instrument made or granted by the Directors while this resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such Shares." [See Explanatory Note (v)] **(Resolution 8)**

10. "**SHARE ISSUE MANDATE ON A NON-PRO RATA BASIS**

That subject to and pursuant to the share issue mandate in Resolution 8 above being obtained, authority be and is hereby given to the Directors of the Company to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent a more than a twenty per cent. (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST." [See Explanatory Note (vi)] **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

CHINA HONGXING SPORTS LIMITED
(Incorporated in Bermuda)

11. "**CHINA HONGXING EMPLOYEE SHARE OPTION SCHEME**

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the China Hongxing Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of shares of the Company from time to time."
[See Explanatory Note (vii)] **(Resolution 10)**

By Order of the Board

Kelvin Yeung Kin Wai
Abdul Jabbar Bin Karam Din
Joint Company Secretaries

3 April 2009
Singapore

Explanatory Notes:

(i) Mr Wu Rongzhao will, upon re-election as a Director of the Company, remain as the Chief Executive Officer and an Executive Director of the Board.

(ii) Mr Alfred Cheong Keng Chuan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

(iii) Mr Chan Wai Meng will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

(iv) Mr Bernard Tay Ah Kong will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

(v) The Ordinary Resolution 8 proposed in item 9. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 8 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. The Company may increase the limit to one hundred per cent. (100%) where it undertakes a pro-rata renounceable rights issue. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 8, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

The allotment and issuance of shares in the Company up to one hundred per cent. (100%) of its issued capital by way of a pro-rata renounceable rights issue is a new measure introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, on 20 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010.

The aforesaid mandate to issue up to one hundred per cent. (100%) of the Company's issued capital is conditional upon the Company:

(i) making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

(ii) providing a status on the use of proceeds in the annual report.

This mandate, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading nil-paid rights if they do not wish to subscribe for their rights shares.

(vi) The Ordinary Resolution 9 proposed in item 10. above, if passed, is to authorise the Directors to allot and issue new shares on a non pro-rata basis at a discount not exceeding twenty per cent. (20%). This authority will continue in force until the next Annual General Meeting.

(vii) The Ordinary Resolution 10 proposed in item 11. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the China Hongxing Employee Share Option Scheme ("Scheme") and to allot and issue shares under the Scheme.

Notes:

1. If a shareholder being a Depositor (who is not a natural person) whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street #08-01 Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting. A Depositor who is a natural person need not complete the Proxy Form if he/she intends to attend in person.

2. If a Depositor/shareholder wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd, at least 48 hours before the time of the Annual General Meeting.

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CORPORATE INFORMATION

Board of Directors

Mr Wu Rongguang (Chairman and Executive Director)
Mr Wu Rongzhao (Chief Executive Officer and Executive Director)
Mr Chan Wai Meng (Independent Director)
Mr Bernard Tay Ah Kong (Independent Director)
Mr Alfred Cheong Keng Chuan (Independent Director)

Audit Committee

Mr Alfred Cheong Keng Chuan (Audit Committee Chairman)
Mr Bernard Tay Ah Kong
Mr Chan Wai Meng

Nominating Committee

Mr Chan Wai Meng (Nominating Committee Chairman)
Mr Alfred Cheong Keng Chuan
Mr Bernard Tay Ah Kong

Remuneration Committee

Mr Bernard Tay Ah Kong (Remuneration Committee Chairman)
Mr Chan Wai Meng
Mr Alfred Cheong Keng Chuan

Company Secretaries

Abdul Jabbar Bin Karam Din, LL B (Hons)
Kelvin Yeung Kin Wai

Assistant Company Secretary

Richard J. Evans

Investor Relations

Jenny Yeo

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Tel: 441 295 1422
Fax: 441 292 4720

Head Office and Principal Place of Business

Jiangnan Torch Development Area
Licheng District
Quanzhou City
Fujian Province 362000
The People's Republic of China

Bermuda Share Registrar

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

Solicitors

Rajah & Tann
4 Battery Road #26-01
Bank of China Building
Singapore 049908

Joint Auditors

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

Partner-in-charge: Leung Tak Kuen
(Appointed with effect from 28 April 2005)

RSM Nelson Wheeler
29th Floor Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

Partner-in-charge: Chris W.C. Wong
(Appointed with effect from 28 April 2005)

Principal Bankers

China Construction Bank
Zhanlan Branch
1st floor, Mingfa Hotel
Nanhuan Road
Licheng District
Quanzhou City
Fujian Province
The People's Republic of China

design & production by **Q-Plus Design**

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Fujian Province, PRC, 362000
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(Company Registration No.: 36746)