

**CHINA HONGXING SPORTS LIMITED (Company Registration Number 36746)
(Incorporated in Bermuda)**

Full Year Financial Statement And Dividend Announcement for Year Ended 31 December 2010

CAUTIONARY NOTE:

The financial results disclosed in this announcement include financial information provided by the Company's subsidiaries in the People's Republic of China ("PRC"), namely Fujian Hongxing Erke Sports Goods Co., Ltd ("Hongxing Erke") and Quanzhou Hongrong Light Industry Co., Ltd. ("Hongrong Light Industry") (collectively Hongxing Erke and Hongrong Light Industry are hereinafter referred as "PRC Key Subsidiaries").

The Company wishes to highlight that as disclosed in the Company's announcement entitled "Appointment of Special Accountant" and "Request for Suspension of Trading in Shares" released on 25 February 2011, the Company and its external auditors, Ernst & Young LLP ("EY"), encountered certain difficulties in respect of the finalization of the audit of the Company's consolidated financial statements for the financial year ended 31 December 2010 ("FY2010"), particularly with reference to cash and bank balances, accounts receivable, accounts payable and other expenses of the Company's PRC Key Subsidiaries.

The Company also wishes to highlight that the financial results disclosed in this announcement are subject to the background and limitations relating to the preparation of the financial statements for FY2010 as set out below ("Limitations"):

- a) On 1 March 2011, the Company appointed nTan Corporate Advisory Pte Ltd as Special Auditor, to carry out an independent investigation into the matters raised in the Company's announcement entitled "Appointment of Special Accountant" and "Request for Suspension of Trading in Shares" released on 25 February 2011 ("Independent Investigation").
- b) The Special Auditor completed the Independent Investigation and submitted their report on the Independent Investigation ("Report") to the Audit Committee and the Singapore Exchange Securities Trading Limited ("SGX-ST") on 20 July 2012. The Audit Committee has reviewed the contents and findings of the Report and is determining, in consultation with the Company's lawyers, auditors and other professionals, and taking the appropriate actions.
- c) On 27 February 2012, the Company announced that it had submitted its trading resumption proposal pursuant to Rule 1304(1) of the Listing Manual. On 12 April 2012, the Company announced that SGX-ST had granted the Company an extension of time until 28 June 2012 to submit a fuller trading resumption proposal. On 20 July 2012, the Company announced that the SGX-ST had granted the Company an extension of time until 25 July 2012 to submit the aforementioned fuller trading resumption proposal.
- d) On 25 July 2012, the Company announced that the Company had submitted the fuller trading resumption proposal to SGX-ST. On 25 September 2012, the Company announced that SGX-ST has responded to the Company's trading resumption proposal and commented on matters that require further consideration by the Company and also the additional steps that must be taken by the Company to formulate a trading resumption proposal.
- e) In connection with the abovementioned trading resumption proposal, the Company has appointed PricewaterhouseCoopers LLP as reporting accountant ("Reporting Accountant") to perform an audit of the Company's consolidated statement of financial position and the consolidated statement of comprehensive income for FY2010 and FY2011. The Reporting Accountant is in the process of finalising their audit for FY2010 and FY2011. The Company has also appointed the Reporting Accountant to review the year-to-date financial results for the first 6 months ended 30 June 2012 ("H1FY2012"), which is expected to be the financial results that are not more than 6 months prior to the date of the Company's application to lift the suspension of trading of its shares. The Reporting Accountant's review of the financial results for H1FY2012 is still in progress.
- f) The financial results disclosed in this announcement have not been reviewed or audited by the Reporting Accountant or the Company's external auditors. As such, the Company would like to remind Shareholders that the financial results disclosed in this announcement may be

subject to further adjustments and revisions after the completion of the work of the Reporting Accountant and the audit by the Company's external auditors.

As such, the board of directors of the Company cautions and advises against reliance on the financial results disclosed in this announcement pending the completion of the work of the Reporting Accountant and the audit by the Company's external auditors.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for the
corresponding period of the immediately preceding financial year.**

1 (a)(i) UNAUDITED INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER

(RMB'000)	12 months ended		Change %
	31 Dec 2010	31 Dec 2009	
Revenue	2,438,493	1,998,817	22.0
Cost of goods sold	(1,774,721)	(1,261,675)	40.7
Gross profit	663,772	737,142	(10.0)
Other income	10,276	13,615	(24.5)
Selling and distribution expenses	(2,125,093)	(508,330)	318.1
Administrative expenses	(171,730)	(79,788)	115.2
(Loss)/profit from operations	(1,622,775)	162,639	(1,097.8)
Finance costs	(473)	(2,821)	(83.2)
(Loss)/profit before tax	(1,623,248)	159,818	(1,115.7)
Income tax expenses	(65,284)	(28,693)	127.5
(Loss)/profit attributable to shareholders	(1,688,532)	131,125	(1,387.7)

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER

(RMB'000)	12 months ended		Change %
	31 Dec 2010	31 Dec 2009	
(Loss)/profit attributable to shareholders	(1,688,532)	131,125	(1,387.7)
Other comprehensive income			
- exchange differences on translating foreign operations	(258)	(3,081)	(91.6)
Total comprehensive income for the period	<u>(1,688,790)</u>	<u>128,044</u>	(1,418.9)

Note:

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

1(a)(ii) Other information:

(RMB'000)	12 months ended		Change %
	31 Dec 2010	31 Dec 2009	
Profit before tax is arrived at after charging/(crediting) the following:			
Sundry income	(561)	(378)	48.4
Interest income	(9,715)	(13,237)	(26.6)
	<u>(10,276)</u>	<u>(13,615)</u>	(24.5)
Interest on borrowings	317	357	(11.2)
Amortisation of interest for Redeemable Non-Cumulative Convertible Preference Shares (the "RCPS")	-	2,454	(100.0)
Refurbishment expenses and expansion expenses (Note 1)	1,656,601	-	N/A
Depreciation and amortisation			
- cost of goods sold	45,997	36,080	27.4
- selling and distribution expenses	8,614	9,987	(13.7)
- administrative expenses	13,068	12,093	8.1
	<u>67,679</u>	<u>58,160</u>	16.4
Research and development costs	14,210	10,211	39.2
Foreign exchange loss	6,837	3,552	92.5

Note 1

The refurbishment expenses and expansion expenses were recognised as expenses in FY2010.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
NON-CURRENT ASSETS				
Property, plant and equipment	715,724	672,389	-	-
Land use rights	29,169	30,047	-	-
Deferred tax assets	34,142	21,925	-	-
Investments in subsidiaries	-	-	251,261	238,502
	<u>779,035</u>	<u>724,361</u>	<u>251,261</u>	<u>238,502</u>
CURRENT ASSETS				
Inventories, at cost	468,976	165,507	-	-
Trade receivables	893,327	363,415	-	-
Land use rights – current portion	878	878	-	-
Prepayments, deposits and other receivables	475,674	114,636	4	-
Due from a subsidiary	-	-	3,032,362	2,944,129
Bank and cash balances	262,812	3,049,408	4,134	2,544
	<u>2,101,667</u>	<u>3,693,844</u>	<u>3,036,500</u>	<u>2,946,673</u>
Total assets	<u>2,880,702</u>	<u>4,418,205</u>	<u>3,287,761</u>	<u>3,185,175</u>
EQUITY				
Issued capital	56,595	56,595	56,595	56,595
Share premium	2,978,708	2,978,708	2,978,708	2,978,708
Statutory reserve	125,518	125,518	-	-
Foreign currency translation reserve	(26,718)	(26,460)	69,881	(98,279)
Contributed surplus	31,494	31,494	31,494	31,494
(Accumulated loss)/retained profits	(665,394)	1,079,138	145,532	210,188
	<u>2,500,203</u>	<u>4,244,993</u>	<u>3,282,210</u>	<u>3,178,706</u>
LIABILITIES				
Current liabilities				
Trade payables	220,474	87,775	-	-
Accruals and other payables	61,444	47,537	5,551	6,469
Interest-bearing loans	-	8,000	-	-
Current tax liabilities	98,581	29,900	-	-
	<u>380,499</u>	<u>173,212</u>	<u>5,551</u>	<u>6,469</u>
Total liabilities	<u>380,499</u>	<u>173,212</u>	<u>5,551</u>	<u>6,469</u>
Total equity and liabilities	<u>2,880,702</u>	<u>4,418,205</u>	<u>3,287,761</u>	<u>3,185,175</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

	As at 31 Dec 2010		As at 31 Dec 2009	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Interest-bearing loans	-	-	8,000	-

The interest-bearing secured loan as at 31 December 2009 was wholly repaid in FY2010.

The Group does not have any outstanding borrowings and debt securities as at 31 December 2010.

Details of any collateral

The interest-bearing secured loans as at 31 December 2009 were secured over the land use rights and buildings of our subsidiary, Hongxing Erke.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	12 months	12 months
(RMB'000)	31/12/10	31/12/09
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(1,623,248)	159,818
Adjustments for:		
Refurbishment expenses written off	-	-
Depreciation and amortisation	67,679	58,160
Loss on disposal of property, plant and equipment	4,139	96
Interest on liability component of RCPS	-	2,454
Other interest expenses	473	357
Interest income	(9,715)	(13,237)
Operating (loss)/profit before working capital changes	(1,560,672)	207,648
Increase in inventories	(303,469)	(56,643)
(Increase)/decrease in trade receivables	(529,912)	115,044
(Increase)/decrease in prepayments, deposits and other receivables	(358,660)	1,046,892
Increase/(decrease) in trade and bills payables	132,699	(74,172)
Increase/(decrease) in accruals and other payables	13,907	(31,835)
Cash (used in)/generated from operations	(2,606,107)	1,206,934
Income tax paid	(8,820)	(44,198)
Other interest paid	(473)	(357)
Net cash (used in)/generated from operating activities	(2,615,400)	1,162,379
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in fixed deposits	60,335	(70,470)
Acquisition of property, plant and equipment	(114,463)	(77,067)
Proceeds from disposal of property, plant and equipment	188	866
Decrease in pledged bank deposits	-	2,400
Interest received	7,337	10,861
Net cash used in investing activities	(46,603)	(133,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest-bearing loans raised	-	8,000
Final dividend paid	(28,000)	-
Interim dividend paid	(28,000)	(28,000)
Repayment of interest-bearing loans	(8,000)	(6,000)
Net cash used in financing activities	(64,000)	(26,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes	(2,726,003)	1,002,969
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,978,938	1,981,738
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		
	252,677	2,978,938
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	262,812	3,049,408
Less: Fixed bank deposits over three months	(10,135)	(70,470)
Cash and cash equivalents	252,677	2,978,938

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED STATEMENTS OF CHANGES IN EQUITY – ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RMB'000)	Issued Capital	Share Premium	RCPS Reserve RCPS	Statutory Reserve	Foreign currency translation Reserve	Contributed Surplus	Retained Profits	Total
Group – Current Period								
Balance as at 1/1/2010	56,595	2,978,708	-	125,518	(26,460)	31,494	1,079,138	4,244,993
Total comprehensive income for the financial year	-	-	-	-	(258)	-	(1,688,532)	(1,688,790)
Final dividend - 2009	-	-	-	-	-	-	(28,000)	(28,000)
Interim dividend - 2010	-	-	-	-	-	-	(28,000)	(28,000)
Balance as at 31/12/2010	56,595	2,978,708	-	125,518	(26,718)	31,494	(665,394)	2,500,203
Group – Previous Period								
Balance as at 1/1/2009	52,019	2,645,397	66,242	104,051	(23,379)	31,494	997,480	3,873,304
Total comprehensive income for the financial year	-	-	-	-	(3,081)	-	131,125	128,044
Transfer to statutory reserve	-	-	-	21,467	-	-	(21,467)	-
Conversion of RCPS	4,576	333,311	(66,242)	-	-	-	-	271,645
Interim dividend - 2009	-	-	-	-	-	-	(28,000)	(28,000)
Balance as at 31/12/2009	56,595	2,978,708	-	125,518	(26,460)	31,494	1,079,138	4,244,993
Company – Current Period								
Balance as at 1/1/2010	56,595	2,978,708	-	-	(98,279)	31,494	210,188	3,178,706
Total comprehensive income for the financial year	-	-	-	-	168,160	-	(8,656)	159,504
Final dividend - 2009	-	-	-	-	-	-	(28,000)	(28,000)
Interim dividend - 2010	-	-	-	-	-	-	(28,000)	(28,000)
Balance as at 31/12/2010	56,595	2,978,708	-	-	69,881	31,494	145,532	3,282,210
Company – Previous Period								
Balance as at 1/1/2009	52,019	2,645,397	66,242	-	(173,387)	31,494	250,262	2,872,027
Total comprehensive income for the financial year	-	-	-	-	75,108	-	(12,074)	63,034
Conversion of RCPS	4,576	333,311	(66,242)	-	-	-	-	271,645
Interim dividend - 2009	-	-	-	-	-	-	(28,000)	(28,000)
Balance as at 31/12/2009	56,595	2,978,708	-	-	(98,279)	31,494	210,188	3,178,706

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no options granted and issue of shares pursuant to the Employee's share option scheme.

There were no shares that may be issued on conversion of all the outstanding convertibles.

There were no treasury shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2010 and 31 December 2009, the share capital of the Company comprised 2,800,000,000 ordinary shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company does not have any treasury shares.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed. Please also refer to Cautionary Note above.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in item (5) below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the recently audited financial statements for the financial year ended 31 December 2009 ("FY2009").

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the applicable new/revised IFRS that are mandatory for annual period beginning on 1 January 2010. For the current reporting period ended 31 December 2010, the adoption of the applicable new/revised IFRS did not result in material changes to the Group's results.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	12 months ended 31/12/10	12 months ended 31/12/09
(Loss)/earnings per share – basic (RMB cents)	(60.30) ⁽¹⁾	4.74 ⁽¹⁾

Notes:

(1) Loss/earnings per ordinary share for 12 months ended 31 December 2010 and 31 December 2009 were calculated based on unaudited profit attributable to shareholders divided by weighted average number of 2,800,000,000 and 2,765,000,877 ordinary shares respectively.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group 31/12/10	Group 31/12/09	Company 31/12/10	Company 31/12/09
Based on the issued capital at the end of the financial period/year (RMB cents)	89.29	151.61	117.22	113.53
Number of ordinary shares of HK\$0.02 each in issue as at the end of the financial period/year in calculating net asset value	2,800,000,000	2,800,000,000	2,800,000,000	2,800,000,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Review of the Group's Performance for FY2010 as compared to the Group's Performance for FY2009

Revenue

Our revenue increased by 22.0% from RMB1,998.8 million in FY2009 to RMB2,438.5 million in FY2010. This was mainly attributed to the increase in revenue from sports apparel which contributed 52.1% of total revenue.

Our distributors have increased the size of retail network to 5,131 points of sales at the end of December 2010 (December 2009: 4,002).

Revenue by product segments

	FY2010		FY2009		Revenue growth
	RMB'000	% of revenue	RMB'000	% of revenue	%
Footwear	1,146,904	47.0	1,049,915	52.5	9.2
Apparel	1,269,711	52.1	900,491	45.1	41.0
Accessories	21,878	0.9	48,411	2.4	(54.8)
Total	2,438,493	100.0	1,998,817	100.0	22.0

Revenue from sports footwear increased by RMB97.0 million or 9.2% from RMB1,049.9 million in FY2009 to RMB1,146.9 million in FY2010.

Revenue from sports apparel increased by RMB369.2 million or 41.0% from RMB900.5 million in FY2009 to RMB1,269.7 million in FY2010 due to increased orders, particularly in second half of 2010, by distributors.

Revenue from sports accessories decreased by RMB26.5 million or 54.8% from RMB48.4 million in FY2009 to RMB21.9 million in FY2010 due to decreased orders by distributors.

Cost of goods sold and gross profit margin

Our cost of goods sold increased by RMB513.0 million or 40.7% from RMB1,261.7 million in FY2009 to RMB1,774.7 million in FY2010.

Our gross profit decreased by RMB73.3 million or 9.9% from RMB737.1 million in FY2009 to RMB663.8 million in FY2010. Our gross profit margin decreased from 36.9% in FY2009 to 27.2% in FY2010. Gross profit margin for sports footwear was at similar level as compared with FY2009. Gross margin for sports apparel and sports accessories decreased due to the increase in material and labour costs incurred by contract manufacturers in FY2010 which were passed on to the Group.

Operating expenses (Selling and distribution expenses and administrative expenses)

Operating expenses increased by 290.5% or RMB1,708.7 million from RMB588.1 million in FY2009 to RMB2,296.8 million in FY2010. As a percentage of revenue, operating expenses has increased from 29.4% in FY2009 to 94.2% in FY2010.

Selling and distribution expenses increased by 318.1% or RMB1,616.8 million from RMB508.3 million in FY2009 to RMB2,125.1 million in FY2010 mainly due to the refurbishment expenses of RMB1,088 million and expansion expenses of RMB569 million incurred in FY2010. The refurbishment expenses and expansion expenses mainly relate to the costs of the renovations of some 2,270 existing ERKE Points of Sale ("POS") and 477 new POS respectively.

Administrative expenses increased by 115.2% or RMB91.9 million from RMB79.8 million in FY2009 to RMB171.7 million in FY2010 mainly due to increases in staff-related costs and provisions. The Group has adopted tight control on administrative expenses.

Income tax expense

The tax charge represents applicable PRC enterprise income tax provided for the period.

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 subsidiaries of the Group which were established in the PRC is 25% since 1 January 2008.

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 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, Hongrong Light Industry was exempted from paying PRC enterprise income tax in 1Q 2008. Commencing from 1 April 2008 onward, Hongrong Light Industry is subject to an enterprise income tax rate of 12%.

Hongxing Erke is subject to the PRC enterprise income tax at a rate of 25%.

Further 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 foreign-invested enterprises 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 foreign-invested enterprises in respect of their profits generated on or after 1 January 2008. As at 31 December 2010, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprises amounted to RMB Nil (31 December 2009: RMB636.9 million). 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.

Deferred tax assets represented temporary differences arising from advertising fee.

Loss/profit attributable to shareholders

The Group incurred a loss before tax of RMB1,623.2 million in FY2010 as compared with a profit before tax of RMB159.8 million in FY2009. The Group incurred a net loss attributable to shareholders of RMB1,688.5 million in FY2010 as compared with a profit attributable to shareholders of RMB131.1 million in FY2009. The loss was mainly due to the recognition of refurbishment expenses of RMB1,088 million and expansion expenses of RMB569 million in FY2010.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of the Group's Financial Position as at 31 December 2010 as compared to the Group's Financial Position as at 31 December 2009

Bank and cash balances of the Group decreased from RMB3,049.4 million as at 31 December 2009 to RMB262.8 million as at 31 December 2010.

Our Group recorded a net cash outflow from operating activities of RMB2,615.4 million for the year ended 31 December 2010. Also, there was net cash outflow from investing activities of RMB46.6 million which was mainly due to the plant building construction, acquisitions of production machinery and office equipment of RMB114.5 million, as offset by the net decrease in fixed deposits of RMB60.3 million and interest received of RMB7.3 million.

Carrying amount of property, plant and equipment increased by RMB43.3 million from RMB672.4 million as at 31 December 2009 to RMB715.7 million as at 31 December 2010. This is mainly due to the plant building construction, acquisitions of production machinery and office equipment of RMB114.5 million, as offset by the disposals of RMB4.3 million (at net book value) and depreciation of RMB66.8 million for the year.

Land use rights, including its current portion classified under current assets which will be amortised over the next 12 months, decreased by RMB0.9 million due mainly to amortisation charge for the year.

Deferred tax assets represented temporary differences arising from advertising fee.

Inventories increased by 183.4% from RMB165.5 million as at 31 December 2009 to RMB469.0 million as at 31 December 2010. This is due mainly to the increase in apparel finished goods which are scheduled to be delivered in first quarter of 2011.

Trade receivables increased by 145.8% from RMB363.4 million as at 31 December 2009 to RMB893.3 million as at 31 December 2010 because sales in 4Q 2010 was significantly higher than sales in 4Q 2009.

Prepayments, deposits and other receivables increased by 315.1% from RMB114.6 million as at 31 December 2009 to RMB475.7 million as at 31 December 2010. The amount as at 31 December 2010 mainly included RMB467 million short-term advances to 6 distributors in the PRC. These amounts were wholly repaid in FY2011.

Trade payables increased by 151.1% from RMB87.8 million as at 31 December 2009 to RMB220.5 million as at 31 December 2010. This is mainly due to the increase in payables to contract manufacturers and the comparatively lower production in the 4th quarter in 2009.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In FY2010 and up to the date of this announcement, the market condition was highly competitive and the Group expects that it will continue to face many challenges for the next 12 months. Nonetheless, the Group had continued to invest in the sales and distribution network in FY2011 and in the financial year ending 31 December 2012 albeit at a slower pace that was reflective of market conditions. As such, the aggregate expansion expenses incurred in FY2011 to renovate new ERKE Points of Sale were markedly lower as compared with FY2010 and the expansion expenses incurred and expected to be incurred in the financial year ending 31 December 2012 to renovate new ERKE Points of Sale is expected to be even lower than FY2011.

The Group will continue to exercise stringent control on its expenditure items.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

The Group declared an interim dividend for the current financial year. Details are as follows:-

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	RMB 0.01 per ordinary share (tax not applicable)
Par Value of Ordinary Shares	HK\$0.02
Tax Rate	Tax not applicable

No final dividend is proposed.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes. RMB 0.01 interim dividend and RMB 0.01 final dividend per ordinary share (tax not applicable).

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend had been declared or recommended for the three months period ended 31 December 2010.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders for FY2010.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2 & Q3 or Half Year Results)**14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group is principally engaged in design, manufacture and sales of sports shoes, sports apparel and sports accessories in the PRC and all of its distributors 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.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 8 above.

16. Breakdown of sales.

	FY2010	FY2009	Change %
(RMB'000)			
Sales reported for the first half year	1,008,175	1,066,747	(5.5)
Profit after taxation for the first half year	38,783	103,245	(62.4)
Sales reported for the second half year	1,430,318	932,070	53.5
(Loss)/profit after taxation for the second half year	(1,727,315)	27,880	(6,295.5)

17. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	FY2010 RMB'000	FY2009 RMB'000
Final dividend - 2009, paid to:		
Ordinary shares	28,000	-
Interim dividend – 2010 and 2009, paid to:		
Ordinary shares	28,000	28,000
	<u>56,000</u>	<u>28,000</u>

18. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Pursuant to Rule 704(13) of the Listing Manual, the Board wishes to confirm that there are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

BY ORDER OF THE BOARD

Wu Rongzhao
Chief Executive Officer and Executive Director
31 October 2012