

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the consolidated financial statements of K-Star Sports Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014.

## 1 DIRECTORS

The directors at the date of this report are:

Ding JianPing	
Ding ZiDi	
Xiao LuXi	
Teoh Tow Kean	
Lee Yew Weng	(Appointed on 24 March 2014)
Lim Ghim Chai	(Resigned on 24 March 2014)

## 2 ARRANGEMENTS TO ENABLE THE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

## 3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or any other related corporation either at the beginning of the financial year, or at the date of appointment if later, or at the end of the financial year.

## 4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive a benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

## 5 SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or any corporation in the Group.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

# Directors' Report (cont'd)

## 6 AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Lee Yew Weng (Chairman)  
Teoh Tow Kean (Member)  
Xiao LuXi (Member)

The Audit Committee performs its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap 50, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Malaysian Code on Corporate Governance 2012. In performing those functions, the committee had reviewed, amongst others, the followings:

- (i) Overall scope of both the internal and external audits and assistance given by the Group's officers to the auditors. The audit committee met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation on the adequacy, integrity and effectiveness of the Group's overall system of internal accounting controls;
- (ii) The audit plan of the independent auditors and any recommendations on internal accounting control arising from the statutory audit;
- (iii) The quarterly financial information and the consolidated financial statements of the Group for the financial year ended 31 December 2014 as well as the auditors' report thereon; and
- (iv) Interested party transactions.

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

The audit committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Helmi Talib & Co, be nominated for re-appointment as the auditors at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

The auditors, Helmi Talib & Co, have expressed their willingness to accept re-appointment as auditors.

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**DING JIANPING**

Director

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**DING ZIDI**

Director

Date: 17 April 2015

# STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

We, the undersigned directors, do hereby state that, in the opinion of the directors:

- (i) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

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**DING JIANPING**  
Director

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**DING ZIDI**  
Director

Date: 17 April 2015

# STATUTORY DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## PURSUANT TO PARAGRAPH 9.27 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

I, **Ding JianPing** (Passport No. E21763110), being the director primarily responsible for the financial management of **K-STAR SPORTS LIMITED**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 85 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the prevailing laws governing declarations for oaths in China.

Subscribed and solemnly declared by the above mentioned in Fujian Jinjiang.

This day of 17 April 2015

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**DING JIANPING**

Before me:



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K-STAR SPORTS LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **K-STAR SPORTS LIMITED** (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

## Independent Auditors' Report (cont'd)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### OTHER MATTER

The financial statements of the Group and Company for the financial year ended 31 December 2013 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 25 April 2014.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 28 to the financial statements are disclosed to meet the requirements of Bursa Malaysia Securities Berhad and are not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information are prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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#### HELMI TALIB & CO

Public Accountants and  
Chartered Accountants

Singapore

Date: 17 April 2015

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		GROUP	
	Note	2014 RMB'000	2013 RMB'000
<b>Profit (Loss)</b>			
Revenue	3	300,730	329,075
Cost of Sales	4	(277,592)	(297,594)
Gross profit		23,138	31,481
Other income	5	272	480
Selling and distribution expenses		(42,723)	(92,443)
Administrative expenses		(21,099)	(20,721)
Finance costs	6	(1,471)	(1,186)
Loss before taxation	7	(41,883)	(82,389)
Income tax expense	9	–	(172)
Loss after taxation		(41,883)	(82,561)
Profit (Loss)		(41,883)	(82,561)
<b>Other comprehensive income</b>		–	–
Total comprehensive loss for the financial year		(41,883)	(82,561)
<b>Loss per share from continuing operations attributable to owners of the Company (cents per share)</b>			
Basic	10	(15.72)	(30.99)
Diluted		(15.72)	(30.99)

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		GROUP		COMPANY	
	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and bank balances	11	47,938	91,819	1	1
Trade and other receivables	12	145,486	147,569	33,612	36,808
Inventories	13	6,229	9,008	–	–
Total current assets		199,653	248,396	33,613	36,809
<b>Non-current assets</b>					
Property, plant and equipment	14	59,121	66,714	–	–
Intangible assets	15	17,417	20,717	–	–
Prepayment for purchase of non-current assets	16	11,000	–	–	–
Investments in subsidiaries	17	–	–	234,140	234,140
Land-use rights	18	72,175	73,801	–	–
Total non-current assets		159,713	161,232	234,140	234,140
Total assets		359,366	409,628	267,753	270,949
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	19	23,900	24,000	–	–
Trade and other payables	20	25,957	34,236	1,138	1,076
Income tax payables	9	–	–	–	–
Total current liabilities		49,857	58,236	1,138	1,076
<b>Non-current liabilities</b>					
Deferred tax liabilities	21	4,921	4,921	–	–
Total non-current liabilities		4,921	4,921	–	–
Total liabilities		54,778	63,157	1,138	1,076
<b>Equity</b>					
<b>Capital and reserves attributable to equity owners of Company</b>					
Share capital	22	285,075	285,075	285,075	285,075
Accumulated profits (losses)		168,957	210,840	(18,460)	(15,202)
Other reserves	23	(149,444)	(149,444)	–	–
Total equity		304,588	346,471	266,615	269,873
Total liabilities and equity		359,366	409,628	267,753	270,949

The accompanying notes form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## GROUP

	Share Capital RMB'000	Merger Reserve RMB'000	2014 Statutory Common Reserve RMB'000	Accumulated Profits (Losses) RMB'000	Total RMB'000
<b>Statement of changes in equity</b>					
<b>Equity</b>					
Balance at beginning of the financial year	285,075	(174,156)	24,712	210,840	346,471
<b>Comprehensive income</b>					
Total comprehensive income	–	–	–	(41,883)	(41,883)
Balance at end of the financial year	285,075	(174,156)	24,712	168,957	304,588

	Share Capital RMB'000	Merger Reserve RMB'000	2013 Statutory Common Reserve RMB'000	Accumulated Profits (Losses) RMB'000	Total RMB'000
<b>Statement of changes in equity</b>					
<b>Equity</b>					
Balance at beginning of the financial year	285,075	(174,156)	24,712	293,401	429,032
<b>Comprehensive income</b>					
Total comprehensive income	–	–	–	(82,561)	(82,561)
Balance at end of the financial year	285,075	(174,156)	24,712	210,840	346,471

The accompanying notes form an integral part of these financial statements.

## Statement Of Changes In Equity (cont'd)

### COMPANY

	Share Capital RMB'000	2014 Accumulated Profits (Losses) RMB'000	Total RMB'000
<b>Statement of changes in equity</b>			
<b>Equity</b>			
Balance at beginning of the financial year	285,075	(15,202)	269,873
<b>Comprehensive income</b>			
Total comprehensive income	–	(3,258)	(3,258)
Balance at end of the financial year	285,075	(18,460)	266,615

	Share Capital RMB'000	2013 Accumulated Profits (Losses) RMB'000	Total RMB'000
<b>Statement of changes in equity</b>			
<b>Equity</b>			
Balance at beginning of the financial year	285,075	(11,111)	273,964
<b>Comprehensive income</b>			
Total comprehensive income	–	(4,091)	(4,091)
Balance at end of the financial year	285,075	(15,202)	269,873

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		GROUP	
	Note	2014 RMB'000	2013 RMB'000
<b>Statement of cash flows</b>			
<b>Cash flows from (used in) operating activities</b>			
Loss		(41,883)	(82,389)
<b>Adjustments for</b>			
Depreciation and amortisation expense		7,740	7,929
Amortisation of patents		3,300	1,283
Amortisation of land-use rights		1,626	1,626
Interest expense		1,471	1,186
Loss on disposal of property, plant and equipment		78	36
Interest income		(249)	(480)
Total adjustments to profit (loss) account		13,966	11,580
Total operating cash flows before movement in working capital		(27,917)	(70,809)
<b>Changes in working capital</b>			
Adjustments for decrease in inventories		2,779	3,648
Adjustments for (increase) decrease in trade and other receivables		(8,917)	46,626
Adjustments for decrease in trade and other payables		(8,279)	(9,646)
Total changes in working capital		(14,417)	40,628
Cash used in operations		(42,334)	(30,181)
Interest received		249	480
Income taxes paid		–	(172)
Interest paid		(1,471)	(1,186)
Net cash flows used in operating activities		(43,556)	(31,059)
<b>Cash flows from (used in) investing activities</b>			
Proceeds from disposal of property, plant and equipment		59	20
Acquisition of land-use rights		–	(2,308)
Purchase of property, plant and equipment		(284)	(3,772)
Addition of intangible assets		–	(11,000)
Net cash flows used in investing activities		(225)	(17,060)

## Statement Of Cash Flows (cont'd)

		GROUP	
	Note	2014 RMB'000	2013 RMB'000
<b>Cash flows from (used in) financing activities</b>			
Proceeds from borrowings		23,900	29,619
Repayment of borrowings		(24,000)	(28,949)
Net cash flows (used in) from financing activities		(100)	670
Net decrease in cash and bank balances		(43,881)	(47,449)
Cash and bank balances at beginning of the financial year		91,819	139,268
Cash and bank balances at end of the financial year	11	47,938	91,819
<b>Cash and bank balances if different from statement of financial position</b>			
Total cash and bank balances as per cash flow statement		47,938	91,819
<b>Net cash flows</b>			
Net cash flows used in operating activities		(43,556)	(31,059)
Net cash flows used in investing activities		(225)	(17,060)
Net cash flows (used in) from financing activities		(100)	670

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 CORPORATE INFORMATION

K-Star Sports Limited is a limited liability Company, which is incorporated and domiciled in Singapore.

The registered office is located at 138 Cecil Street, #12-01A Cecil Court, Singapore 069538. The principal place of business of the Group is located at No. 125-127 Jiangtuo Qiang Road North, Jiangtuo Industrial Zone, Jiangtuo Village, Chendai Town, Jinjiang City, Fujian Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of subsidiaries are disclosed in Note 17 to the financial statements.

The immediate and ultimate holding company of the Company is K-Star Sports International Limited, a company incorporated in Bermuda.

There have been no significant changes in the nature of these activities during the financial year.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50 and including related Interpretations ("INT FRS") promulgated by the Accounting Standards Council ("ASC").

The financial statements, which are presented in Renminbi ("RMB"), rounded to the nearest thousand (RMB'000) unless otherwise stated. The financial statements have been prepared on historical cost basis except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of profit or loss during the financial year. Although these estimates are based on the Company's best knowledge of current events, actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the accounting policies below.

#### (a) Depreciation of property, plant and equipment

These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 20 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2014 were RMB 59,121,000 (2013: RMB 66,714,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.



# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

#### (b) Impairment of investment in subsidiaries

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

#### (c) Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision (if any) for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable values for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. If net realisable value of the inventory decreases by 10% from management's estimates, the Group profit will decrease by RMB 622,900 (2013: RMB 900,800).

#### (d) Allowance for impairment of receivables

Allowance for impairment of receivables is based on the assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgments and estimates. Where expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

#### (e) Income taxes

The Group has exposure to income taxes arising from their operations in the PRC. Significant judgments are involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/ revised FRS and INT FRS has no material effect on the financial statements. The Group has not applied the following new/revised FRS or INT FRS that has been issued as of the reporting date but are not yet effective:

Description		Effective for annual periods beginning on or after
Amendments to FRS 19	: Defined Benefit Plans: Employee Contributions Improvements to FRSs (January 2014)	1 July 2014
Amendments to FRS 108	: Operating Segments	1 July 2014
Amendments to FRS 16 and FRS 38	: Property, Plant and Equipment and Intangible Assets	1 July 2014
Amendments to FRS 24	: Related Party Disclosures Improvements to FRSs (January and February 2014)	1 July 2014
Amendments to FRS 103	: Business Combinations	1 July 2014
Amendments to FRS 113	: Fair Value Measurement	1 July 2014
FRS 114	: Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 27	: Equity Method in Separated Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38	: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2017
Amendments to FRS 110 and FRS 28	: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 105	: Changes in Methods of Disposal	1 January 2016
Amendments to FRS 107	: Servicing Contracts and Application of the amendments to FRS 107 to Condensed Interim Financial Statements	1 January 2016
Amendments to FRS 27	: Discount rate: regional market issue	1 January 2016
Amendments to FRS 34	: Disclosure of Information 'elsewhere in the Interim Financial Report' Improvements to FRSs (November 2014)	1 January 2016
Amendments to FRS 105	: Non-current Assets Held for Sale and Discontinued Operations	1 January 2016

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to : Financial Instruments: Disclosures FRS 107	1 January 2016
Amendments to : Employee benefits FRS 19	1 January 2016
Amendments to : Interim Financial Reporting FRS 34	1 January 2016
FRS 109 : Financial Instruments	1 January 2018
Amendments to : Disclosure Initiative FRS 1	1 January 2016
Amendments to : Investment Entities: Applying the FRS 110, FRS 112, Consolidation Exceptions FRS 28	1 January 2016

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

### 2.2 Basis of consolidation

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### (b) Transaction with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Functional and foreign currency

#### (a) Functional currency

Items included in the financial statements are measured using the currency best reflects the economic substance of the underlying events and circumstances relevant to the Company ("Functional Currency"). The financial statements are presented in RMB, which is the functional currency of the Company and its subsidiaries.

#### (b) Foreign currency

Transactions in foreign currencies are translated into the Functional Currency using the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the Functional Currency at the rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All exchange differences are taken to the statement of comprehensive income.

### 2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue and related cost can be reliably measured.

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue excludes value added taxes and is arrived at after deduction of trade discounts. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

### 2.5 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Employee benefits

#### (a) Employment pension benefits

The Group participates in the national pension schemes as defined by the laws in the PRC. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by the government agencies, which are responsible for administering these amounts for the employees. Pension contributions are charged to the statement of comprehensive income in the period which the contributions relate.

#### (b) Employee leave entitlement

Employee entitlement to annual leave is recognised when it accrues to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

No provision for employee leave entitlement is made as any unconsumed annual leave will be forfeited.

### 2.7 Finance costs

Interest expense and similar charges are expensed in the consolidated statement of comprehensive income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the consolidated statement of comprehensive income using the effective interest method.

### 2.8 Income tax

#### (a) Income tax and deferred tax

Current income tax liabilities for current and prior periods are recognised at the amounts expected to be paid to the tax authorities, using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax assets/liabilities are recognised for all deductible and taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 Income tax (cont'd)

#### (a) Income tax and deferred tax (cont'd)

Deferred income tax assets and liabilities are measured at:

- (a) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled based on tax rates that have been enacted or substantively enacted by the statement of financial position date; and
- (b) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the statement of comprehensive income, except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.

#### (b) Value added tax ("VAT")

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statements of financial position.

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

- (a) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (b) receivables and payables that are stated with the amount of VAT included.

### 2.9 Property, plant and equipment

#### (a) Measurement

##### Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### Component of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to the acquisition of the asset and costs of bringing the asset to working condition for its intended use. Dismantlement, removal or restoration costs are included as part of the cost of asset if the obligation for dismantlement, removal or restoration costs is incurred as a consequence of acquiring or using the asset. Expenditure for additions, improvements and renewals are capitalised. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Property, plant and equipment (cont'd)

#### (b) Depreciation

Depreciation of property, plant and equipment is calculated on the straight-line basis to write off the cost less residual value of the assets over its estimated useful lives as follows:

	Useful lives
Buildings	- 20 years
Plant and machineries	- 5 to 10 years
Furniture, fixtures and office equipment	- 5 years
Motor vehicles	- 5 to 10 years
Renovation	- 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are recognised in statement of comprehensive income when the changes arise.

#### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset 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 repair and maintenance expenses are recognised in statement of comprehensive income when incurred.

#### (d) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the period the asset is derecognised.

### 2.10 Land-use rights

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

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Intangible assets

#### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed, the goodwill associated with the operation disposal is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the cash-generating unit retained.

#### (b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Intangible assets (cont'd)

#### (b) Other intangible assets (cont'd)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

#### (i) Research and development costs

Research costs are expensed off as incurred.

#### (ii) Patents

Patents acquired are amortised on a straight-line basis over its estimated useful lives of 5 years.

### 2.12 Subsidiaries

A subsidiary company is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Company generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

Investments in subsidiary companies are stated in the Company's statement of financial position at cost less impairment losses.

### 2.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a first-in first-out basis.

Work-in-progress and finished goods comprise cost of direct materials, direct labour and attributable proportion of manufacturing overheads based on normal operating capacity.

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.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in consolidated statement of comprehensive income if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing the 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 or cash-generating unit.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognised. Reversal of impairment loss is recorded in statement of comprehensive income. After such a reversal, the depreciation charge is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 2.15 Financial assets

Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are recognised on the statement of financial position when the Group and the Company becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, in the case when financial assets are not at fair value, they are stated at directly attributable transaction cost.

Financial assets are classified as held for trading if they are acquired for selling in the near term. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has positive intention and ability to hold the assets to maturity. Investments held under this category are measured at amortised cost using the effective interest method. For investments carried at amortised cost, gains or losses are recognised in the statement of comprehensive income through the amortisation process.

Financial assets with fixed and determinable payments that are not quoted are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the statement of comprehensive income through the amortisation process.

Available-for-sale financial assets are any other financial assets that are not classified in any preceding categories. Available-for-sale financial assets are measured at fair value with gains and losses being recognised in the fair value adjustment reserve until the assets are derecognised. For quoted investments, fair value is determined by market bid price. For unquoted investments, fair value is determined by using valuation techniques, like discounted cash flow analysis.



# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

#### (a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in statement of comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of comprehensive income.

#### (b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### (c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or counterparty, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Impairment of financial assets (cont'd)

#### (c) Available-for-sale financial assets (cont'd)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from other comprehensive income and recognised in statement of comprehensive income. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on the investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in the statement of comprehensive income.

### 2.17 Receivables

Receivables and amount due from a Director are measured in initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate bad and doubtful debts for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The bad and doubtful debts recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed subsequent to initial recognition.

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts which are repayable on demand and which form an integral part of the Group's and the Company's cash management. Restricted deposits are excluded from cash and cash equivalents.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

### 2.20 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the company if that person:
  - (i) Has control or joint control over the company;
  - (ii) Has significant influence over the company; or
  - (iii) Is a member of the key management personnel of the company or of a parent of the company.
- (b) An entity is related to the company if any of the following conditions applies:
  - (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
  - (iii) Both entities are joint venture of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 2.21 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Gains and losses are recognised in the statement of comprehensive income through the amortisation process.

# Notes To The Financial Statements (cont'd)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 Other borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the reporting date are included in non-current borrowings in the statement of financial position.

### 2.23 Provisions

Provisions are recognised when the Company and the Group has a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources economic benefits and will be required to settle the obligation and a reliable estimate can be established on the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. In respect of temporary differences associated with investment in its subsidiary, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### 2.24 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 2.25 Share capital

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

## 3 REVENUE

	GROUP	
	2014 RMB'000	2013 RMB'000
Sales of goods	300,730	329,075

Revenue represents the net invoiced amounts, after discounts and sales related taxes.

## Notes To The Financial Statements (cont'd)

### 4 COST OF SALES

	GROUP	
	2014 RMB'000	2013 RMB'000
Opening inventories of finished goods	6,094	8,805
Cost of manufacturing	260,600	267,987
Purchases	13,156	25,806
Local education contribution fees	212	218
Urban maintenance and construction tax fee	530	545
Additional education contribution fee	318	327
	280,910	303,688
Less: Closing inventories of finished goods (Note 13)	(3,318)	(6,094)
	277,592	297,594

### 5 OTHER INCOME

	GROUP	
	2014 RMB'000	2013 RMB'000
Interest income	249	480
Unrealised foreign exchange gain	23	–
	272	480

### 6 FINANCE COSTS

	GROUP	
	2014 RMB'000	2013 RMB'000
Interest expense on bank borrowings	1,471	1,186
Weighted average effective interest rate per annum	6.1%	6.1%



# Notes To The Financial Statements (cont'd)

## 7 PROFIT (LOSS) BEFORE TAXATION

This item includes the following charges (credit):

	GROUP	
	2014 RMB'000	2013 RMB'000
Employee compensation	41,502	36,688
Depreciation of property, plant and equipment	7,740	7,929
Amortisation of patents	3,300	1,283
Amortisation of land-use rights	1,626	1,626
Loss on disposal of property, plant and equipment	78	36
Directors' fee - Directors of the Company	314	315
- Overprovision in prior year	-	(5)
Gain on foreign exchange	-	(9)

## 8 EMPLOYEE COMPENSATION

	GROUP	
	2014 RMB'000	2013 RMB'000
<b><u>Directors' remuneration other than fee</u></b>		
Salary of the Company	1,200	1,200
Salary of the subsidiary	510	910
Defined contribution	6	6
Other related cost	2	1
	1,718	2,117
<b><u>Key management personnel (excluding Directors)</u></b>		
Salaries and related cost	917	868
Defined contribution	33	30
	950	898
<b><u>Other than Directors and key management personnel</u></b>		
Salaries and related cost	36,090	30,744
Defined contribution	2,744	2,929
	38,834	33,673
	41,502	36,688

## Notes To The Financial Statements (cont'd)

### 9 INCOME TAX EXPENSE

#### (a) Income tax expense

Tax expense attributable to profit is made up of:

	GROUP	
	2014 RMB'000	2013 RMB'000
Current income tax provision	–	168
Underprovision in prior financial years	–	4
	–	172

The tax expense on loss before taxation differs from the amount that would arise using the Singapore and Republic of China standard rate of income tax are as follows:

	GROUP	
	2014 RMB'000	2013 RMB'000
Loss before income tax	(41,883)	(82,389)
Tax calculated at a Republic of China tax rate of 25% (2013: 25%)	(3,090)	(19,574)
Tax calculated at a Singapore tax rate of 17% (2013: 17%)	(7,120)	(696)
Expenses not deductible for tax purposes	1,021	20,438
Income not taxable for tax purposes	(22)	–
Underprovision in prior years	–	4
Deferred tax not recognised	8,635	–
Losses not allowed to be carried forward	576	–
	–	172

No provision for Singapore income tax has been made as the Group had no assessable profit arising from or derived in Singapore during the financial year.

The subsidiaries are subject to the PRC income tax. The provision for the PRC income tax on profits arising from operations in the PRC is calculated based on statutory income tax rate of 25% in accordance with the PRC relevant income tax rules and regulations.

As at the reporting date, no deferred tax liability has been recognised on the unremitted earnings of the PRC subsidiaries from the financial year 2008, as the Company is entitled to the tax exemption for unremitted foreign source income under the Singapore Income Tax Act.

# Notes To The Financial Statements (cont'd)

## 9 INCOME TAX EXPENSE (CONT'D)

### (b) Income tax payable

	GROUP	
	2014 RMB'000	2013 RMB'000
Balance at beginning of the financial year	—	—
Income tax paid	—	(172)
Tax expenses on profit:		
- Current financial year	—	168
- Underprovision in prior years	—	4
Balance at end of the financial year	—	—

## 10 LOSS PER SHARE

The loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares in issue of 266,400,000 (2013: 266,400,000) shares during the financial year.

There are no potential dilutive ordinary shares as at the respective statement of financial position date.

The following table reflects the profit or loss and share data used in the computation of basic and diluted earnings per share for the financial year ended 31 December:

	GROUP	
	2014	2013
Net loss attributable to owners of the parent (RMB'000)	(41,883)	(82,561)
Weighted average number of ordinary shares in issue for the purpose of basic loss per share ('000)	266,400	266,400
Basic and diluted loss per share (RMB cents)	(15.72)	(30.99)

## 11 CASH AND BANK BALANCES

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at banks	47,916	91,795	1	1
Cash on hand	22	24	—	—
	47,938	91,819	1	1

Cash at bank earns interest at floating rates based on daily bank deposit rates. The effective interest rates as at 31 December 2014 for the Group and the Company were ranging from 0.35% to 0.36% and NIL (2013: 0.35% to 0.36% and NIL), respectively.

## Notes To The Financial Statements (cont'd)

### 11 CASH AND BANK BALANCES (CONT'D)

Cash and bank balances are denominated in the following currencies:

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Chinese Renminbi	47,937	91,818	—	—
Malaysia Ringgit	1	1	1	1
	47,938	91,819	1	1

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	GROUP	
	2014 RMB'000	2013 RMB'000
Cash and bank balances (as above)	47,938	91,819

### 12 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Trade receivables</b>				
Outside parties	133,810	135,917	—	—
<b>Other receivables</b>				
Prepayments	11,620	11,596	24	—
Others	54	54	—	—
Deposits	2	2	2	2
Subsidiary company	—	—	33,586	36,806
	11,676	11,652	33,612	36,808
	145,486	147,569	33,612	36,808
Total trade and other receivables (excluding prepayments)	133,866	135,973	33,588	36,808
Add: Cash and bank balances (Note 11)	47,938	91,819	1	1
Total loans and receivables	181,804	227,792	33,589	36,809

# Notes To The Financial Statements (cont'd)

## 12 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables are non-interest bearing and are generally on 90 days terms (2013: 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

Non-trade amounts due from subsidiary companies are unsecured, interest-free and are repayable on demand.

The carrying amounts of current trade and other receivables approximate their fair value.

Trade and other receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Chinese Renminbi	145,460	147,567	4,596	7,955
Malaysia Ringgit	26	2	8,783	9,115
United States Dollar	–	–	18,633	18,176
Hong Kong Dollar	–	–	1,600	1,562
	145,486	147,569	33,612	36,808

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially customers with a good collection tracked record with the Group are as follows:

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current	84,817	91,239	–	–

## Notes To The Financial Statements (cont'd)

### 12 TRADE AND OTHER RECEIVABLES (CONT'D)

#### Receivables that are past due but not impaired

The Group and the Company has trade receivables amounting to RMB 48,993,000 (2013: RMB 44,678,000) and NIL (2013: NIL) respectively, that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<u>Trade receivables that are past due</u>				
- Less than 30 days	31,007	28,057	–	–
- 31 - 60 days	17,986	16,621	–	–
	48,993	44,678	–	–

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

#### Receivables that are impaired

There are no receivables that are past due and/or impaired.

### 13 INVENTORIES

	GROUP	
	2014 RMB'000	2013 RMB'000
<u>Statement of financial position</u>		
Raw materials	1,257	1,004
Work-in-progress	1,654	1,910
Finished goods	3,318	6,094
	6,229	9,008

	GROUP	
	2014 RMB'000	2013 RMB'000
<u>Statement of comprehensive income</u>		
Inventories recognised as an expense in cost of sales	276,532	297,594

During the financial year, management is not aware of any circumstance which would render it necessary to write off any inventory or to make any allowance for slow moving inventory.



# Notes To The Financial Statements (cont'd)

## 14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machineries RMB'000	Furnitures, fixtures and office equipments RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Total RMB'000
<b>Group Cost</b>						
At 1.1.2013	67,838	8,380	1,050	4,006	18,179	99,453
Additions	–	1,290	239	1,250	993	3,772
Disposals	–	(196)	–	–	–	(196)
At 31.12.2013	67,838	9,474	1,289	5,256	19,172	103,029
Additions	–	284	–	–	–	284
Disposals	–	(239)	–	(259)	–	(498)
At 31.12.2014	67,838	9,519	1,289	4,997	19,172	102,815
<b>Accumulated depreciation</b>						
At 1.1.2013	15,391	4,807	585	2,761	4,982	28,526
Charge for the financial year	3,089	762	146	719	3,213	7,929
Disposals	–	(140)	–	–	–	(140)
At 31.12.2013	18,480	5,429	731	3,480	8,195	36,315
Charge for the financial year	3,040	714	131	548	3,307	7,740
Disposals	–	(128)	–	(233)	–	(361)
At 31.12.2014	21,520	6,015	862	3,795	11,502	43,694
<b>Net carrying amount</b>						
At 31.12.2013	49,358	4,045	558	1,776	10,977	66,714
At 31.12.2014	46,318	3,504	427	1,202	7,670	59,121

## Notes To The Financial Statements (cont'd)

### 14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Depreciation expense charged to:

	GROUP	
	2014 RMB'000	2013 RMB'000
Cost of sales	1,607	1,669
Administrative expenses	6,133	6,260
	7,740	7,929

(b) All property, plant and equipment held by the Group are located in the PRC.

(c) The leasehold buildings are located at:

Location	Approximately build-up area (sq m)	Ownership	Effective date
No. 125-127 Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭江头前进 北路125-127号)	22,384	Fujian Dixing	15 January 2013
Jiangtou Qianjin Road North, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭江头村前进北路)	2,144	Saifeite	9 January 2007
No.104 Yangding South Road, Jiangtou Industrial Zone, Jiangtou Village, Chendai Town, Jinjiang City (晋江市陈埭江头洋顶 南金路104号)	4,200	Villagers Committee of Jiangtou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭江头 回族村民委员会)	1 December 2005

(d) Bank borrowings of RMB 9,950,000 (2013: RMB 8,250,000) are secured on a building of the Group with net book value of approximately RMB 1,418,000 (2013: RMB 1,613,000) at the reporting date (Note 19).

(e) Motor vehicles with net book value of approximately RMB 1,179,000 (2013: RMB 1,776,000) are registered in the names of certain employees of the Group and are held in trust for the Group at the reporting date.

# Notes To The Financial Statements (cont'd)

## 15 INTANGIBLE ASSETS

	GROUP	
	2014 RMB'000	2013 RMB'000
<b>Patents</b>		
<b>Cost</b>		
Beginning of the financial year	22,000	11,000
Additions	–	11,000
End of the financial year	22,000	22,000
<b>Accumulated amortisation</b>		
Beginning of the financial year	1,283	–
Amortisation	3,300	1,283
End of the financial year	4,583	1,283
<b>Net book value</b>		
At 31 December	17,417	20,717

Amortisation expense is charged to administrative expenses.

## 16 PREPAYMENT FOR PURCHASE OF NON-CURRENT ASSETS

	GROUP	
	2014 RMB'000	2013 RMB'000
Prepayments for purchase of patents	11,000	–

Prepayment pertains to purchase of patents to manufacture new types of sports shoes. Applications for these patents were submitted in April 2014 and are still pending issuance of certificate as at year end.

## Notes To The Financial Statements (cont'd)

### 17 INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2014 RMB'000	2013 RMB'000
Unquoted shares at cost	234,140	234,140

The particulars of the subsidiary companies are as follows:

Name of subsidiaries (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Equity held by Company	
		2014 RMB'000	2013 RMB'000	2014 %	2013 %
(i) <u>Held by the Company</u> Fujian Jinjiang Dixing Shoes Plastics Co., Ltd ("FujianDixing") 福建省晋江市帝 星鞋塑有限公司 (People's Republic of China)	Design, manufacture and distribution of sports footwear, apparel and accessories  (People's Republic of China)	234,140	234,140	100	100
		234,140	234,140		
(ii) <u>Held by a subsidiary company</u> Jinjiang Saifeite Shoes Plastics Co., Ltd ("Saifeite") 晋江市赛飞特鞋塑 有限公司 (People's Republic of China)	Property investment holding  (People's Republic of China)	27,000	27,000	100	100
		27,000	27,000		

(i) and (ii) audited by other firm of public accountants.

# Notes To The Financial Statements (cont'd)

## 18 LAND-USE RIGHTS

	GROUP	
	2014 RMB'000	2013 RMB'000
<b>Cost</b>		
Beginning of the financial year	78,384	76,076
Additions	–	2,308
End of the financial year	78,384	78,384
<b>Accumulated amortisation</b>		
Beginning of the financial year	4,583	2,957
Amortisation	1,626	1,626
End of the financial year	6,209	4,583
<b>Net book value</b>		
At 31 December	72,175	73,801

- (a) Amortisation expense is charged to administrative expenses.
- (b) The land-use rights are the rights of using the land with the in-principle approval from the land owner who has contractually transferred the ownership of the title, subject to registration with the Jinjiang State-owned Land Resource Bureau (晋江市国土资源局). The lands are located at:

Location	Land area (sq m)	Ownership	Effective date
No. 125-127 Jiangrou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (晋江市陈埭江头 前进北路125 - 127号)	2,581	Fujian Dixing	24 November 2014
* No.104 Yangding South Road, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (*晋江市陈埭江头洋 顶南路104号)	3,100	Villagers Committee of Jiangrou Huizu Village, Chendai Town, Jinjiang City  (晋江市陈埭江头回族 村民委员会)	1 December 2005

## Notes To The Financial Statements (cont'd)

### 18 LAND-USE RIGHTS (CONT'D)

- (b) The land-use rights are the rights of using the land with the in-principle approval from the land owner who has contractually transferred the ownership of the title, subject to registration with the Jinjiang State-owned Land Resource Bureau (晋江市国土资源局). The lands are located at: (cont'd)

Location	Land area (sq m)	Ownership	Effective date
* Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (*晋江市陈埭江头工业区)	26,973	Villagers Committee of Jiangrou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭江头回族村民委员会)	25 June 2010
* No. 125-127 Jiangrou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (*晋江市陈埭江头前进北路125 - 127号)	2,410	Villagers Committee of Jiangrou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭江头回族村民委员会)	20 October 2006
No. 125-127 Jiangrou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (晋江市陈埭江头前进北路125 - 127号)	2,675	Fujian Dixing	20 October 2006
Jiangrou Village, Chendai Town, Jinjiang City (晋江市陈埭江头村)	675	Saifeite	9 January 2007

- \* Pursuant to the letter of confirmation dated 29 January 2015, the land owner, Villagers Committee of Jiangrou Huizu Village, Chendai Town, Jinjiang City (晋江市陈埭江头回族村民委员会) has confirmed that these lands have been sold to Fujian Dixing. The application for land-use rights is currently pending the approval and issuance of certificate from the relevant authorities.

- (c) Bank borrowing of RMB 9,950,000 (2013: RMB 8,250,000) is secured on land-use rights of the Company at No. 125-127 Jiangrou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City (晋江市陈埭江头前进北路125 - 127号) (land area: 2,675 sq m) with carrying amount of approximately RMB 51,550,000 (2013: RMB 52,684,000) at the date of financial position (Note 19).



# Notes To The Financial Statements (cont'd)

## 19 LOANS AND BORROWINGS

	GROUP	
	2014 RMB'000	2013 RMB'000
<b>Current Liabilities</b>		
Bank loans – China Construction Bank		
- Secured	9,950	8,250
- Unsecured	13,950	15,750
	23,900	24,000

	Note	2014 RMB'000	2013 RMB'000
Bank loans comprises of:			
- #1 (unsecured)	(a)	–	2,000
- #2 (unsecured)	(b)	–	6,000
- #3 (secured)	(c)	–	7,300
- #4 (secured)	(d)	–	950
- #5 (unsecured)	(e)	–	1,800
- #6 (unsecured)	(f)	–	5,950
- #7 (unsecured)	(g)	2,000	–
- #8 (unsecured)	(h)	6,000	–
- #9 (secured)	(i)	7,200	–
- #10 (secured)	(j)	950	–
- #11 (secured)	(k)	1,800	–
- #12 (unsecured)	(l)	5,950	–
		23,900	24,000

- (a) The unsecured bank loan facility #1 of RMB 2,000,000 granted to Fujian Dixing is repayable on or before 1 April 2014. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.00% per annum.

- (b) The unsecured bank loan facility #2 of RMB 6,000,000 granted to Fujian Dixing is repayable on or before 3 July 2014. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.30% per annum.

- (c) The secured bank loan facility #3 of RMB 7,300,000 granted to Fujian Dixing is repayable on or before 11 September 2014. The loan is secured by a mortgage over the land-use rights and building of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.30% per annum.

## Notes To The Financial Statements (cont'd)

### 19 LOANS AND BORROWINGS (CONT'D)

- (d) The secured bank loan facility #4 of RMB 950,000 granted to Fujian Dixin is repayable on or before 9 October 2014. The loan is secured by a mortgage over the land-use rights and building of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.30% per annum.

- (e) The unsecured bank loan facility #5 of RMB 1,800,000 granted to Fujian Dixin is repayable on or before 3 December 2014. The loan is secured by a mortgage over the land-use rights and building of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.00% per annum.

- (f) The unsecured bank loan facility #6 of RMB 5,950,000 granted to Fujian Dixin is repayable on or before 31 December 2014. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.00% per annum.

- (g) The unsecured bank loan facility #7 of RMB 2,000,000 granted to Fujian Dixin is repayable on or before 1 April 2015. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.00% per annum.

- (h) The unsecured bank loan facility #8 of RMB 6,000,000 granted to Fujian Dixin is repayable on or before 9 June 2015. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.30% per annum.

- (i) The secured bank loan facility #9 of RMB 7,200,000 granted to Fujian Dixin is repayable on or before 2 September 2015. The loan is secured by a mortgage over the land-use rights and building (Note 14) of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.60% per annum.

- (j) The secured bank loan facility #10 of RMB 950,000 granted to Fujian Dixin is repayable on or before 11 November 2015. The loan is secured by a mortgage over the land-use rights and building (Note 14) of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.60% per annum.

- (k) The secured bank loan facility #11 of RMB 1,800,000 granted to Fujian Dixin is repayable on or before 11 November 2015. The loan is secured by a mortgage over the land-use rights and building (Note 14) of the Company and jointly guaranteed by a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.60% per annum.

# Notes To The Financial Statements (cont'd)

## 19 LOANS AND BORROWINGS (CONT'D)

- (I) The unsecured bank loan facility #12 of RMB 5,950,000 granted to Fujian Dixing is repayable on or before 30 December 2015. The loan is jointly guaranteed by third party corporation, Quanzhou Chaoshengda Sportswear Co., Ltd (泉州超盛达体育用品有限公司) and a Director, Ding Jianping and his spouse, Wang Liling.

Interest is charged at 6.16% per annum.

The table below analyses the maturity profile of the Company's borrowings based on contractual undiscounted cash flows.

	2014		2013	
	Carrying amount RMB'000	Contractual cash flows RMB'000	Carrying amount RMB'000	Contractual cash flows RMB'000
<b>Fixed interest rate loans</b>				
Less than one year	23,900	24,950	24,000	24,414

The bank borrowings are denominated in Chinese Renminbi. The carrying amounts approximate their fair values.

## 20 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Trade payables</b>				
Outside parties	20,114	28,502	–	–
<b>Other payables</b>				
Accrued expenses	5,460	4,896	755	852
Outside parties	–	838	–	224
Due to a director	383	–	383	–
	5,843	5,734	1,138	1,076
	25,957	34,236	1,138	1,076
Total trade and other payables	25,957	34,236	1,138	1,076
Add: Loans and borrowings (Note 19)	23,900	24,000	–	–
Total financial liabilities carried at amortised cost	49,857	58,236	1,138	1,076

Trade payables generally have credit terms ranging from 30 days to 90 days and are expected to be repaid within 12 months from the end of the reporting period.

## Notes To The Financial Statements (cont'd)

### 20 TRADE AND OTHER PAYABLES (CONT'D)

The carrying amounts of trade and other payables approximate their fair values.

Trade and other payables are denominated in the following currencies:

	GROUP		COMPANY	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Chinese Renminbi	25,202	33,160	383	—
Singapore Dollar	438	737	438	737
Malaysia Ringgit	317	339	317	339
	25,957	34,236	1,138	1,076

### 21 DEFERRED TAX LIABILITIES

	GROUP	
	2014 RMB'000	2013 RMB'000
Beginning and end of financial year	4,921	4,921

Deferred tax liabilities comprised the excess of carrying amounts of qualifying property, plant and equipment over their correspondence tax written down values.

### 22 SHARE CAPITAL

#### Issued and fully paid ordinary share capital, with no par value

	Group and Company			
	2014		2013	
	No. of shares	RMB'000	No. of shares	RMB'000
Balance at beginning and end of the financial year	266,400,000	285,075	266,400,000	285,075

The Company has only one class of shares, being ordinary shares which are all rank pari passu. The holders of ordinary shares are entitled for voting rights and any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid.

# Notes To The Financial Statements (cont'd)

## 23 OTHER RESERVES

	GROUP	
	2014 RMB'000	2013 RMB'000
Statutory common reserve	24,712	24,712
Merger reserve	(174,156)	(174,156)
	(149,444)	(149,444)

Movement in reserve is as follows:

### (a) Statutory common reserve

	GROUP	
	2014 RMB'000	2013 RMB'000
Balance at beginning and end of financial year	24,712	24,712

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Group established in the PRC are required to transfer 10% of its profits after taxation prepared in accordance with the accounting regulation of the PRC to the statutory common reserve until the reserve balance reaches 50% of the subsidiary's registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary subject to the approval from the PRC relevant authority, and are not available for dividend distribution to the shareholders.

### (b) Merger reserve

	GROUP	
	2014 RMB'000	2013 RMB'000
Balance at beginning and end of financial year	(174,156)	(174,156)

The merger reserve represents the difference between the cost of investment of subsidiary and the share capital of the subsidiary acquired under the pooling-of-interest method.

Other reserves are non-distributable.

## Notes To The Financial Statements (cont'd)

### 24 RELATED PARTY TRANSACTIONS

The transactions with related parties on terms mutually agreed during the financial year are as follows:

#### Compensation of key management personnel

	GROUP	
	2014 RMB'000	2013 RMB'000
<b>Key management personnel compensation</b>		
- Directors' remuneration	1,718	2,117
- Directors' fee	314	315

### 25 OPERATING SEGMENTS

The Group has only one operating segment, which is the design, manufacture and sale of sports footwear, sports apparel and accessories.

The breakdown of the Group revenue by product type is as follows:

	GROUP	
	2014 RMB'000	2013 RMB'000
Sale of sports footwear	286,105	298,322
Sale of sports apparel and accessories	14,625	30,753
	300,730	329,075

### 26 FINANCIAL ASSETS AND LIABILITIES

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		GROUP	
	Note	2014 RMB'000	2013 RMB'000
<b>Financial assets</b>			
Cash and cash equivalents	11	47,938	91,819
Trade and other receivables	12	145,486	147,569
		193,424	239,388
<b>Financial liabilities</b>			
<i>Financial liabilities measured at amortised cost:</i>			
Current:			
Bank borrowings	19	23,900	24,000
Trade and other payables	20	25,957	34,236
		49,857	58,236



# Notes To The Financial Statements (cont'd)

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current financial period, the Group's policy that no derivative and forward foreign exchange contracts shall be undertaken for hedging and speculative purposes. The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Market risk

#### (i) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has currency exposures arising from balances that are denominated in a currency other than the Functional Currency, primarily Singapore Dollar ("SGD"), and Malaysia Ringgit ("RM").

The Group's currency exposure based on the information provided to key management is as follows:

Group	SGD RMB'000	RM RMB'000
As at 31 December 2014		
<b>Financial assets</b>		
Cash and cash equivalents	–	1
Trade and other receivables	–	26
<b>Financial liabilities</b>		
Trade and other payables	(438)	(317)
	(438)	(290)
As at 31 December 2013		
<b>Financial assets</b>		
Cash and cash equivalents	–	1
Trade and other receivables	–	2
<b>Financial liabilities</b>		
Trade and other payables	(737)	(339)
	(737)	(336)

# Notes To The Financial Statements (cont'd)

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Market risk (cont'd)

#### (i) Currency risk (cont'd)

##### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/loss after tax to a reasonably possible change in the SGD and RM exchange rate against the respective functional currencies of the Company entities, with all other variables including tax rate being held constant.

	2014		2013	
	Profit after taxation RMB'000	Equity RMB'000	Profit after taxation RMB'000	Equity RMB'000
<b>Group</b>				
<b>SGD</b>				
- Strengthened 3% (2013: 3%)	(11)	(11)	(18)	(18)
- Weakened 3% (2013: 3%)	11	11	18	18
<b>RM</b>				
- Strengthened 3% (2013: 3%)	(7)	(7)	(9)	(9)
- Weakened 3% (2013: 3%)	7	7	9	9

#### (ii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to share price.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their interest bearing borrowings. The Group ensures that it is not exposed to significant fluctuation in future cash flows arising from changes in market interest rates by maintaining its borrowings largely in fixed-rate instruments.

# Notes To The Financial Statements (cont'd)

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Market risk (cont'd)

#### (iii) Interest rate risk (cont'd)

##### Sensitivity analysis for interest rate risk

The Group's borrowings, a change of interest rate at the reporting date would increase/ (decrease) profit or loss by the amounts shown below. This analysis assumes that all the other variable remain constant.

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date.

	Basis points	Effect on profit before taxation	
		2014 RMB'000	2013 RMB'000
<b>Group</b>			
<b>Interest expense – RMB</b>			
- Increase in interest rate	50	(119)	(100)
- Decrease in interest rate	(50)	119	100

### (b) Credit risk

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligations. The Group's exposures to credit risk arise primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase in credit risk exposure. The Group trades with all third parties but will only provide credit terms upon approval of the management. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

##### Exposure to credit risk

At the statement of financial position date, the Group's maximum exposure to credit risk is represented by the carrying value of each class of financial assets recognised in the statement of financial position.

##### Financial assets that are neither past due nor impaired

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

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

Information regarding receivables is disclosed in Note 12.

## Notes To The Financial Statements (cont'd)

### 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) Liquidity risk

The objective of liquidity management is to ensure that the Group and the Company has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the management monitors net cash flow and maintains a level of cash and cash equivalents deemed adequate for working capital purposes so as to mitigate the effects of fluctuations in cash flow. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the support from Directors or shareholders.

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the statement of financial position based on contractual undiscounted payments.

	1 year or less RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Group</b>				
<b>2014</b>				
Trade and other payables	25,957	–	–	25,957
Borrowings	24,950	–	–	24,950
	50,907	–	–	50,907
<b>2013</b>				
Trade and other payables	34,236	–	–	34,236
Borrowings	24,414	–	–	24,414
	58,650	–	–	58,650
<b>Company</b>				
<b>2014</b>				
Trade and other payables	1,138	–	–	1,138
<b>2013</b>				
Trade and other payables	1,076	–	–	1,076

# Notes To The Financial Statements (cont'd)

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented in the statement of financial position.

There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

Gearing has no significant influence on the Group's capital structure.

### (e) Fair value measurements

The carrying amounts of the financial assets and financial liabilities at the statement of financial position date approximate the fair values due to the relatively short term maturity of these financial instruments.

## 28 SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised accumulated profits of the Group at 31 December 2014 is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements, as issued by the Malaysia Institute of Accountants.

The breakdown of the retained earnings of the Group as at the financial year end, into realised and unrealised profits, pursuant to the directive, is as follows:

	2014 RMB'000	2013 RMB'000
<b>Total retained earnings of the Group</b>		
Realised	168,965	210,832
Unrealised	(8)	8
	<hr/> 168,957	<hr/> 210,840

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

## 29 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Director on the same date as per the Directors' Report and the Statement by Directors.

## LIST OF PROPERTIES

Location	Description/ Existing use	(i) Land area (ii) Built-up area (square metres)	Tenure	Approximate age of building (years)	Carrying amounts at 31 December 2014 (RMB'000)	Date of Acquisition
No. 125-127 Jiangrou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City, Fujian Province, PRC	Industrial	(i) 7,666 (ii) 22,384	50 years up to 2056	5 to 14	26,304 (land) 36,845 (building)	20 October 2006
No. 104 Yangding South Road, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City, Fujian Province, PRC	Industrial	(i) 3,100	50 years up to 2055	10	– (land) 2,856 (building)	1 December 2005
Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City, Fujian Province, PRC	Industrial	(i) 26,973 (ii) Not applicable	50 years up to 2060	Not applicable	25,246 (land)	25 June 2010
Jiantou Qianjin Road North, Jiangrou Industrial Zone, Jiangrou Village, Chendai Town, Jinjiang City, 36211 Fujian Province, PRC	Industrial	(i) 675 (ii) 2,144	50 years up to 2056	19	20,625 (land) 6,617 (building)	18 October 2011



# SHAREHOLDERS' INFORMATION / ANALYSIS OF SHAREHOLDINGS

AS AT 28 APRIL 2015

Issued and paid-up Ordinary Share Capital : SGD59,903,460 comprising of 266,400,000 ordinary shares  
(The shares of the Company do not have a par value attached)

Class of shares : Ordinary shares

Voting rights : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS AS AT 28 APRIL 2015

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
Less than 100	1	0.060	10	0.000
100 – 1,000	213	12.815	86,600	0.032
1,001 – 10,000	549	33.032	3,761,100	1.411
10,001 – 100,000	732	44.043	27,976,890	10.501
100,001 – 13,319,999 *	166	9.987	100,311,900	37.654
13,320,000 and above **	1	0.060	134,263,500	50.399
Total	1,662	100.000	266,400,000	100.00

### Notes:

- \* Less than 5% of issued shares
- \*\* 5% and above of issued shares

## DIRECTORS' SHAREHOLDINGS AS AT 28 APRIL 2015

No.	Name	Direct interest		Deemed interest	
		No. of Shares	%	No. of Shares	%
1.	Ding JianPing (丁建萍) <sup>(1)</sup>	–	–	–	–
2.	Ding ZiDi (丁梓迪)	–	–	–	–
3.	Teoh Tow Kean	–	–	–	–
4.	Xiao LuXi	–	–	–	–
5.	Lee Yew Weng	–	–	–	–

### Note:

- <sup>(1)</sup> An agreement has been entered into between Chan Kai Fly, being the sole shareholder of K-Star Sports International Limited and Ding JianPing for a right of first refusal to be given to Ding JianPing to purchase the Company's shares held under K-Star Sports International Limited after the initial public offering and the moratorium period.

## SUBSTANTIAL SHAREHOLDERS AS AT 28 APRIL 2015

No.	Name	Direct interest		Deemed interest	
		No. of Shares	%	No. of Shares	%
1.	K-STAR SPORTS INTERNATIONAL LIMITED	134,263,500	50.399	–	–

## Shareholders' Information / Analysis Of Shareholdings (cont'd)

### THIRTY LARGEST SHAREHOLDERS AS AT 28 APRIL 2015

No.	Shareholders	No. of Shares	% of issued share capital
1	K-STAR SPORTS INTERNATIONAL LIMITED	134,263,500	50.399
2	SKYLITECH RESOURCES SDN. BHD.	13,200,000	4.954
3	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	11,120,000	4.174
4	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG DER SIAN (MARGIN)	9,766,900	3.666
5	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAO HONGJUN (MARGIN)	6,041,700	2.267
6	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JIN MEIQI (MARGIN)	5,729,800	2.150
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG KAM CHEE (002)	3,000,000	1.126
8	TAN KIN CHUAN	2,050,000	0.769
9	YEOH YIH SEAN	1,840,900	0.691
10	LEW YUAN KEE @ LEW AH KEE	1,500,000	0.563
11	SITI JUNAINAH BINTI DEWA	1,490,000	0.559
12	A1 CAPITAL SDN BHD	1,434,500	0.538
13	CHIA SUN KIA	1,185,000	0.444
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' TAN EE SENG	1,155,100	0.433
15	GOH POH CHEE	1,017,000	0.381
16	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON PANSY (001)	976,700	0.366
17	AFFIN HWANG NOMINEES (ASING) SDN, BHD. EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)	893,300	0.335
18	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED (CLIENT ACCOUNT)	843,200	0.316
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG ENG TIONG	801,600	0.300
20	OOI LENG HWA	800,000	0.300
21	YEW YIAN YIAN	800,000	0.300
22	SIEW POO HOCK	750,000	0.281
23	LEE HEAN GUAN	720,000	0.270
24	GAN CHENG SWEE	699,700	0.262
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM CHEE BENG (LANGKAP)	626,000	0.234
26	TAN KOK HONG	600,000	0.225
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAMAL KHIR BIN ZAINOL ABIDIN	585,900	0.219
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD CHEW HIN YUEN (8063346)	550,000	0.206
29	CHIA CHING EIU	550,000	0.206
30	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR THAM AH NGAN	520,000	0.195

# ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

## UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

## SHARE BUY-BACK

The Company did not undertake any share buy-back exercise.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year.

## AMERICAN DEPOSITORY RECEIPT / GLOBAL DEPOSITORY RECEIPT

The Company did not sponsor any depository receipt programme during the financial year.

## SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, the Directors and the management by the relevant regulatory bodies during the financial year.

## NON-AUDIT FEES

There were no non-audit fees paid by the Group to the former External Auditors, Messrs Chengco Singapore PAC during the financial year.

## VARIATION IN RESULTS

There was no variation between the interim financial reports previously announced on the 4th Quarter results and the audited financial results for the financial year ended 31 December 2014.

## PROFIT GUARANTEE

The Company did not provide any profit guarantee during the financial year.

## PROFIT FORECAST

There was no profit forecast issued by the Company and its subsidiary companies during the financial year.

## RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There is no RRPT during the financial year.



## Additional Compliance Information Disclosures (cont'd)

### **MATERIAL CONTRACTS**

During the financial year under review, there was no material contract entered into by the Company and its subsidiaries which involved the Directors' and major shareholders' interest.

### **CORPORATE SOCIAL RESPONSIBILITIES**

The Company is mindful of its corporate social responsibilities towards the shareholders, communities, other stakeholders and the environment. The Group also supports the community through various sponsorships of education and cultural activities. Our Group has been in compliance with the applicable laws and regulations in the countries which we operate in and was not involved in any significant litigation, arbitrations or claims during the financial year. We have been accredited with ISO 9001:2000 and great emphasis is placed on quality assurance in all aspect of our operations, from procurement to production, to ensure that we satisfy our customers' quality requirements and minimise wastage due to inefficiencies.

### **STATEMENT PERTAINING TO THE ALLOCATION OF SHARE OPTIONS TO EMPLOYEES**

To date, the Company has not established any share options for employees. In the event the Company establishes such employees share options scheme ("ESOS"), the Audit Committee would carry the responsibility of reviewing all allocations granted to eligible employees to ensure compliance with the criteria as would have been spelt out in the by-laws of the Company's proposed ESOS.

# NOTICE OF THE 2015 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2015 Annual General Meeting of the Company will be held at Kuala Lumpur Room, Level 1, Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia on Friday, 26 June 2015 at 3.00 p.m. for the following purposes:

## AGENDA

### As Ordinary Business:

- |    |  |                                      |
|----|--|--------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To approve the payment of Director's fees of up to RM175,000.00 (RMB350,000.00) for the financial year ending 31 December 2015.                                | (Ordinary Resolution 1)              |
| 3. | To re-elect Mr. Ding JianPing, who is retiring pursuant to Article 91 of the Articles of Association of the Company.   | (Ordinary Resolution 2)              |
| 4. | To re-elect Mr. Teoh Tow Kean, who is retiring pursuant to Article 91 of the Articles of Association of the Company.   | (Ordinary Resolution 3)              |
| 5. | To re-appoint Messrs Helmi Talib & Co as Auditors of the Company and to authorize the Directors to fix their remuneration.                                     | (Ordinary Resolution 4)              |

### As Special Business:

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

#### 6. Ordinary Resolution

**Authority to issue new ordinary shares pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("the Act")**

(Ordinary Resolution 5)

"**THAT** pursuant to Section 161 of the Act and the Articles of Association of the Company and subject to the approvals from Bursa Malaysia Securities Berhad and other relevant government/ regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered pursuant to Section 161 of the Act to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, and upon such terms and conditions and for such purposes and to such persons as the Board of Directors may, in their absolute discretion, deem fit, provided that the value of shares to be issued, when aggregated with the value of any such shares issued during the preceding 12 months does not exceed 10% of the value of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being **AND THAT** the Board of Directors be and is also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

## Notice Of The 2015 Annual General Meeting (cont'd)

7. To transact any other business of which due notice shall be given.

BY ORDER OF THE BOARD  
**THUM SOOK FUN**  
Company Secretary

Date: 29 May 2015

### Notes:

1. A Member may appoint not more than two (2) proxies to attend and vote at the same General Meeting. In any case where a form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of a Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.
2. An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and in the case of individual, shall be signed by the appointor or his attorney. In the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
3. The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy in accordance with item 5 below, failing which the instrument may be treated as invalid.
4. An instrument appointing a proxy whether executed in the States of Malaysia or outside the States of Malaysia shall be attested by a solicitor, commissioner of oaths, notary public, consul or magistrate, but the Directors may from time to time waive or modify this requirement either generally or in a particular case.
5. An instrument appointing a proxy must be left at the Share Registrar of the Company situated at Level 17 The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
6. Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
7. For the purpose of determining a member who shall be entitled to attend the 2015 Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 51(B) (b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 16 June 2015. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/ or vote on his stead.



# Notice Of The 2015 Annual General Meeting (cont'd)

## EXPLANATORY NOTES ON ORDINARY BUSINESS:

### 1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 201(1) of the Companies Act (Chapter 50) of Singapore does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

### 2. Item 2 of the Agenda

*Proposed Ordinary Resolution 1 - Approval for Directors' Fees for the financial year ending 31 December 2015*

The Directors' fees proposed for the financial year ending 31 December 2015 are calculated based on the number of scheduled Board and Committee meetings for 2015 and assuming that all Directors will hold office until the end of the financial year. This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board Size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

## EXPLANATORY NOTES ON SPECIAL BUSINESS:

### 3. Item 6 of the Agenda

*Proposed Ordinary Resolution 5 - Approval for Issuance of new ordinary shares pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore.*

The Proposed Ordinary Resolution 5 is for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the value of the issued and paid up Share Capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

The General Mandate will provide flexibility to the Company for issuance of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital acquisition(s) or such other applications that the Directors may in their absolute discretion deemed fit.

As at the date of this Notice, the Company did not issue shares pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 24 June 2014.

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## Proxy Form

# K-Star

## K-STAR SPORTS LIMITED

(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)  
(Company Registration Number 200820976H)  
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)  
(Malaysian Branch Registration Number 995214-D)

CDS Account No
No. of shares held

I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
[Full name in block, NRIC No./Company No. and telephone number]

of \_\_\_\_\_  
[Address]

being a member/members of **K-Star Sports Limited**, hereby appoint:-

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

and / or (delete as appropriate)

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the 2015 Annual General Meeting of the Company to be held at Kuala Lumpur Room, Level 1, Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia on Friday, 26 June 2015 at 3.00 p.m. or any adjournment thereof, and to vote as indicated below:

Item	Agenda	Please refer to Note 1		
1.	Receipt of Audited Financial Statements and Reports.			
	<b>Agenda</b>	<b>Resolution</b>	<b>FOR</b>	<b>AGAINST</b>
2.	Payment of Directors' fees for the financial year ending 31 December 2015	Ordinary Resolution 1		
3.	Re-election of Mr. Ding JianPing as Director	Ordinary Resolution 2		
4.	Re-election of Mr. Teoh Tow Kean as Director	Ordinary Resolution 3		
5.	Re-appointment of Auditors of the Company	Ordinary Resolution 4		
6.	Authority to issue new ordinary shares	Ordinary Resolution 5		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this .....day of ....., 2015.

Signature of Shareholder/Common Seal

### Notes:

- This Agenda item is meant for discussion only as the provision of Section 201(1) of the Companies Act (Chapter 50) of Singapore does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.
- A Member may appoint not more than two (2) proxies to attend and vote at the same General Meeting. In any case where a form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of a Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.
- An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and in the case of individual, shall be signed by the appointor or his attorney. In the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
- The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy in accordance with item 6 below, failing which the instrument may be treated as invalid.
- An instrument appointing a proxy whether executed in the States of Malaysia or outside the States of Malaysia shall be attested by a solicitor, commissioner of oaths, notary public, consul or magistrate, but the Directors may from time to time waive or modify this requirement either generally or in a particular case.
- An instrument appointing a proxy must be left at the Share Registrar of the Company situated at Level 17 The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
- Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- For the purpose of determining a member who shall be entitled to attend the 2015 Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 51(B) (b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 June 2015. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/ or vote on his stead.



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AFFIX  
STAMP

THE COMPANY SECRETARY  
**K-STAR SPORTS LIMITED**  
(Company Registration Number 200820976H)  
(Malaysian Branch Registration Number 995214-D)  
C/O Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

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# K-Star

**K-STAR SPORTS LIMITED**

(Malaysia Branch Registration No. 995214-D)

