

Jinjiang Chaoda Shoes and Garment Co., Limited

2011 ANNUAL REPORT

For the year ended 31 December 2011

Jinjiang Chaoda Shoes and Garment Co., Limited

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000
Revenue	2	90,981
Cost of sales		(68,519)
Gross profit		22,462
Other revenues	2	274
Operating expenses	3	(3,281)
Administration expenses	4	(3,016)
Finance costs	5	(2,067)
Profit before income tax		14,372
Income tax expense	6	(3,187)
Profit for the year		11,185
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations		-
Total comprehensive income for the year		11,185

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2011

	Note	2011 RMB'000
Current assets		
Cash and cash equivalents	8	9,425
Trade and other receivables	9	15,153
Inventory	10	11,647
Prepayments	11	2,348
Total current assets		38,573
Non-current assets		
Property, plant and equipment	12	39,665
Land use right	13	3,924
Total non-current assets		43,589
Total assets		82,162
Current liabilities		
Trade and other payables	14	18,128
Notes payable	15	6,620
Financial liabilities	16	28,500
Current tax liabilities	17	1,210
Total current liabilities		54,458
Total liabilities		54,458
Net assets		27,704
Equity		
Issued capital	18	14,983
Reserves	20	1,437
Retained earnings		11,284
Total equity		27,704

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital	Statutory Reserve	Retained earnings	Consolidated Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2010 (unaudited)	14,983	-	1,536	16,519
Additional capital	-	-	-	-
Reserves transferred from current year retained earning	-	1,437	(1,437)	-
Total comprehensive income for the year	-	-	11,185	11,185
Balance at 31 December 2011	14,983	1,437	11,284	27,704

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000
Cash flows from operating activities		
Receipts from customers		80,541
Payments to suppliers and employees		(75,906)
Government grant received		203
Interest received		72
Finance costs		(2,067)
Income tax paid		(2,039)
VAT received / (paid) and other taxes		1,250
Net cash provided by (used in) operating activities	24	2,054
Cash flows from investing activities		
Purchase of property, plant and equipment		(500)
Purchase of land use right		(3,990)
Net cash provided by (used in) investing activities		(4,490)
Cash flows from financing activities		
Payment made to non-related parties		(1,000)
Proceeds of short-term borrowing		5,715
Cash advanced to related parties		(636)
Net cash provided by (used in) financing activities		4,079
Net change in cash and cash equivalents held		1,643
Cash and cash equivalents at beginning of financial year		7,782
Cash and cash equivalents at end of financial year	8	9,425

These financial statements should be read in conjunction with the accompanying notes.

Jinjiang Chaoda Shoes and Garment Co., Limited

Notes to the financial statements

For the year ended 31 December 2011

1 Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and not in accordance with any applicable PRC company law.

Jinjiang Chaoda Shoes and Garment Co., Limited (“the Company”) is a company limited by registered capital contribution made by owners, incorporated and domiciled in PRC.

The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors on 17 December 2014.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Chinese Yuan (RMB) which is the Company’s functional and presentational currency, unless otherwise noted.

Comparative financial statements

The Company has not prepared general purpose financial reports in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) for the year ended 31 December 2010 and therefore has not been included as comparatives to the financial report.

Significant accounting policies

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income).

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

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Notes to the financial statements

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b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income. Each year the difference between depreciation based on the re-valued carrying amount of asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation surplus to retain earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Basis
Office equipment	20%	Straight line
Manufacturing equipment	10%	Straight line
Motor vehicle	20%	Straight line
Buildings	5%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Notes to the financial statements
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Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis on normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

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Notes to the financial statements

For the year ended 31 December 2011

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

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Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

Financial liabilities

The Company's financial liabilities include trade and other payables and short-term borrowings. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, 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 through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

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f. Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

h. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of value added tax (VAT).

j. Borrowing Costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

k. Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

l. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates — Impairment of non-financial assets

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

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n. Land use rights

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives.

o. Accounting standards not yet effective

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Company's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported financial information.

p. Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

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2 Revenue

	2011
	RMB'000
Operating activities	
Sales of goods	90,981
Total Revenue	90,981
Non-operating activities	
Government Grant	202
Interest received	72
Total Other Income	274

*During the year revenue from top ten customers amounted to RMB 57,776,492 (64%) arising from wholesale of sports shoes.

3 Operating expenses

	2011
	RMB'000
Operating expenses	
Salary expenses	267
Transportation expense	391
Advertising expense	1,891
Exhibition expense	244
Depreciation and amortisation	14
Other operating expenses	474
Total operating expenses	3,281

4 Administration expenses

	2011
	RMB'000
Administration expenses	
Salary expenses	689
Depreciation and amortisation	709
R&D expense	211
Office expense	144
Other administration expense	1,263
Total administration expenses	3,016

5 Finance Costs

	2011
	RMB'000
Finance costs	
Interest expense for short term borrowing	1,705
Other expenses	362
Total finance costs	2,067

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Notes to the financial statements
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6 Income Tax Expense

	2011 RMB'000
The components of tax expense comprise:	
Current tax	3,187
Total income tax expense	3,187
 Reconciliation of tax expense	
Profit before income tax	14,372
Prima facie tax payable on profit before income tax at China tax rate of 25%	3,593
Add:	
Adjustments of entities not taxed at 25%	
Tax effect on non-deductible expenses	-
Tax effect on non-taxable income	-
Tax effect of tax adjustment during the period	(406)
Income tax attributable to the Company	3,187
The applicable weighted average effective tax rate are as follows:	22%

The Company is subject to the income tax law of People's Republic of China (PRC).

7 Auditors' Remuneration

	2011 RMB'000
Remuneration of the auditor of the Company	
- auditing or reviewing the financial report	401
Total auditor's remuneration	401

8 Cash and Cash Equivalents

	2011 RMB'000
Cash on hand	160
Cash at bank	6,617
Security deposit for notes payable	2,648
Total cash and cash equivalent	9,425

9 Trade and Other Receivables

	2011 RMB'000
Current	
Trade receivables	14,139
Other receivables	1,014
Total current trade and other receivables	15,153

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

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The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The company does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

The average credit period on sales of goods is 90 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

Some of the unimpaired trade receivables are past due as at the reporting date. These relate to customers who have a good credit history with the Company and are expected to be recovered in full.

The age of trade receivables past due but not impaired is as follows:

	2011
	RMB'000
90 – 180 days	36
181-365 days	37
1 -2 year	1,954
Total	2,027

10 Inventory

	2011
	RMB'000
Current	
Raw material	2,247
Finished good	5,791
Work in progress	3,609
Provision for obsolete stock	-
Net inventory	11,647

Inventory has been determined to be valued at the lower of cost and net realisable value at balance date. There has been no provision for obsolete stock raised in the current financial period.

11 Prepayments

	2011
	RMB'000
Current	
Prepayments	2,348
Total prepayments	2,348

Other assets represent advances/security deposits to suppliers for inventory purchases.

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12 Property, plant and equipment

	2011
	RMB'000
Machinery and Office Equipment	
At cost	4,612
Accumulated depreciation	(1,879)
Total Machinery and Office Equipment	2,733
Buildings	
At cost	41,460
Accumulated depreciation	(4,755)
Total Buildings	36,705
Motor Vehicles	
At cost	60
Accumulated depreciation	(17)
Total Motor Vehicles	43
Accounting Software	
At cost	28
Accumulated depreciation	(6)
Total Accounting Software	22
Construction in Progress	
At cost	162
Total Construction in Progress	162
Total property, plant and equipment	39,665

a Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Machinery and Office Equipment	Buildings	Motor Vehicles	Accounting Software	Construction in Progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2010 (Unaudited)	2,921	22,687	60	28	15,800	41,496
Addition	338	-	-	-	162	500
Transfer from CIP	-	15,800	-	-	-	15,800
Transfer to buildings	-	-	-	-	(15,800)	(15,800)
Disposal	-	-	-	-	-	-
Depreciation expense	(526)	(1,782)	(17)	(6)	-	(2,331)
Balance at 31 December 2011	2,733	36,705	43	22	162	39,665

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13 Land use rights

	2011
	RMB'000
Cost	3,990
Accumulated Amortisation	(66)
Total Land use rights	3,924

a Movements in Carrying Amounts

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	Land use rights
	RMB'000
Balance at 31 December 2010 (Unaudited)	-
Addition	3,990
Disposal	-
Amortisation expense	(66)
Balance at 31 December 2011	3,924

i) Land use rights relate to the following:

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration – Jin (2011) Serial Number (00673) Jinjiang City Chenli Town Huzhong Village	Industrial Plant	6,478	46 years (valid until 19 July 2060)

14 Trade and Other Payables

	2011
	RMB'000
Current	
Trade payables	9,471
Revenue received in advance	1,903
Other tax payable	2,358
Salary payable	1,056
Other payables	3,340
Total trade and other payables	18,128

15 Notes Payable

	2011
	RMB'000
Current	
Notes payable	6,620

The notes payable mature from March 2012 to May 2012. The notes payable are guaranteed by interest bearing short-term bank deposit of RMB 2,648,000 (see Note 8).

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16 Financial Liabilities

	2011 RMB'000
Current	
Jinjiang Rural Cooperative Bank	7,000
Industrial and Commercial Bank of China	15,500
China Merchants Bank	6,000
Total financial liabilities	28,500

Interest is payable on rates between 5.81% to 9.38% per annum. The weighted average interest rate for the loan balance is 7.26% per annum.

17 Taxation

	2011 RMB'000
Current	
Income tax payable	1,210

18 Issued Capital

	2011 RMB
Share capital	14,983

Share capital represents capital contributions made by owners. Shareholdings are determined based on the percentage of capital contributions made of the total share capital.

19 Capital Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

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20 Reserves

	2011 RMB'000
Statutory reserve	1,437
Total reserves	1,437

Statutory reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

21 Commitments

(a) Capital Commitments

No capital commitments existed as at 31 December 2011.

(b) Operating Commitments

No operating commitments existed as at 31 December 2011

22 Segment Reporting

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of product category and service offerings as the diversification of the Company's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment; and
- the type or class of customer for the products or services.

Types of products and services by segment

Segments as determined by the Directors and Management are as follows:

- Manufacturing
- Own-brand sales (XPD brand)
- Contract third-party sales

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The Company operates predominately in one geographical segment, being the People's Republic of China.

Basis of accounting for purposes of reporting by operating segments:

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Inter-segment transactions

Inter-segment sales and cost of goods sold are recognised at their cost with no premium charged.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and short-term borrowings from financial institutions.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- finance cost;
- other expenses.

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31 December 2011	Manufacturing	Own-brand	Contract third-party	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	-	72,806	18,175	-	90,981
Revenue from other segments	68,519	-	-	-	68,519
COGS for external sales	-	(55,027)	(13,492)	-	(68,519)
COGS for inter-segment transfer	(68,519)	-	-	-	(68,519)
Segment Result	-	17,779	4,683	-	22,462
Finance costs	-	-	-	(2,067)	(2,067)
Depreciation and amortisation of non-financial assets	(723)	-	-	-	(723)
Other expenses	-	-	-	(5,300)	(5,300)
Profit/(loss) before income tax	(723)	17,779	4,683	(7,367)	14,372
Income tax expense	-	-	-	(3,187)	(3,187)
Profit after income tax	(723)	17,779	4,683	(10,554)	11,185
Segment assets	82,162	-	-	-	82,162
Segment liabilities	54,458	-	-	-	54,458
Total net assets from continuing operations	27,704	-	-	-	27,704

23 Events After the Balance Sheet Date

The Company's financial statements for the financial years ended 31 December 2011, 31 December 2012, 31 December 2013 and the financial period ended 30 June 2014 have been signed on the same date, 17 December 2014.

Matters or circumstances that have arisen since the financial year ended 31 December 2011 to the date of signing which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years have been appropriately disclosed within the financial statements ended 30 June 2014.

Jinjiang Chaoda Shoes and Garment Co., Limited
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24 Cash Flow Information

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	2011
	RMB'000
Operating Profit/(Loss) after income tax	11,185
Non-cash flows in operating surplus/(deficit)	
Depreciation/Amortisation	2,391
Changes in assets and liabilities	
(Increase)/Decrease in trade receivables	(12,342)
(Increase)/Decrease in prepayments	(2,348)
(Increase)/Decrease in Inventory	(4,979)
(Increase)/Decrease in trade payables and accruals	4,063
Increase/(Decrease) in notes payable	1,032
Increase/(Decrease) in Income tax payable	1,149
Increase/(Decrease) in revenue received in advance	1,903
Cash flows from operations	2,054

Jinjiang Chaoda Shoes and Garment Co., Limited
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25 Related party transactions

a) Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest

	2011
	RMB'000
Jinjiang XPD Import and Export Ltd	
Sales made to the related party	24,606
Payment received from the related party	21,020
 Fujian XPD Sports Products Ltd	
Payment made to the related party	5,000
Payment received from the related party	5,000

b) Related party balances

Amounts receivable from and payable to key management personnel and their related entities at balance date arising are as follows:

2011	Receivable from related party	Payable to related party
	RMB'000	RMB'000
Jinjiang XPD Import and Export Ltd	1,870	-
Fujian XPD Sports Products Ltd	-	3,000
	<u>1,870</u>	<u>3,000</u>

Related party balances comprise trade receivable arisen from normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.

Jinjiang Chaoda Shoes and Garment Co., Limited

Notes to the financial statements

For the year ended 31 December 2011

26 Financial Instrument Risk Management

26.1 Risk management objectives and policies

The Company is exposed to a variety of financial risks through its use of financial instruments.

Financial instruments used

The principal categories of financial instrument used by the Company:

- Trade receivables
- Cash at bank
- Trade and other payables
- Short-term borrowings
- Notes payable

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

26.2 Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

Interest rate risk sensitivity

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company's borrowings are within 1 year, and hence are subject to minimal fair value changes.

Customer concentration risk

The Company's exposure to customer concentration risk relates to its dependence on major customers. The Company's top 10 customers in 2011 generated 64% (RMB 57,776,492) of the Company's revenues during the financial period.

Jinjiang Chaoda Shoes and Garment Co., Limited
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Liquidity risk

Liquidity risk arises from the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

Price risk

The Company's financial instruments are not exposed to price risk.

Financial instrument composition and maturity analysis

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Financial instrument composition and maturity analysis

	Weighted Average Effective Interest Rate	Interest Bearing Maturing within 1 Year	Interest Bearing Maturing within 2 Years	Non-interest Bearing Maturing within 1 Year	Total
	2011 %	2011 RMB'000	2011 RMB'000	2011 RMB'000	2011 RMB'000
Financial Assets:					
- Cash and cash equivalents (Variable interest rate)	0.50% p.a	9,265	-	160	9,425
- Trade and other receivables	-	-	-	15,153	15,153
- Security deposits to suppliers	-	-	-	2,348	2,348
Total Financial Assets		9,265	-	17,661	26,926
Financial Liabilities:					
- Trade and other payables	-	-	-	18,128	18,128
- Short-term borrowing	7.26% p.a	28,500	-	-	28,500
- Notes payable				6,620	6,620
Total Financial Liabilities		28,500	-	24,748	53,248
Net Financial Assets					(26,322)

26.3 Credit risk analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Jinjiang Chaoda Shoes and Garment Co., Limited

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For the year ended 31 December 2011

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2011
	RMB'000
Classes of financial assets -	
Carrying amounts:	
Cash and cash equivalents	9,425
Cash advanced to suppliers	2,348
Trade and other receivables	15,153
Total	<u>26,926</u>

The Company's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

27 Fair value measurement

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **level 3:** unobservable inputs for the asset or liability

The value of the Company's financial assets and financial liabilities are determined by its short-term book value which is also its fair value.

Jinjiang Chaoda Shoes and Garment Co., Limited
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For the year ended 31 December 2011

28 Key Management Personnel Compensation

The directors received personal compensation of RMB 126,000 during the period.

29 Company Details

The registered office of the Company is:

Jinjiang Chaoda Shoes and Garment Co., Limited

Chaoda Commercial Building
Huzhong Industrial Zone
Chendai Town, Jinjiang City, Fujian Province 362200 China

Director's declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 27, are in accordance with International Financial Reporting Standards and present fairly the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Director
Zhang Shuijiao

Dated this 17th day of December 2014

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67 Greenhill Rd
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF JINJIANG CHAODA SHOES AND GARMENT CO.,
LIMITED**

We have audited the accompanying financial report of Jinjiang Chaoda Shoes and Garment Co., Limited (the "Company"), which comprises the statement of financial position as at 31 December 2011, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors.

Responsibility of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard IAS 1 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report 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 the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Basis for qualified auditor's opinion

As we were appointed auditors of Jinjiang Chaoda Shoes and Garment Co., Limited during 2014, we are not in a position to and do not express an opinion for the opening balances as at 1 January 2011, which impact on the current year financial performance and statement of cashflows.

In addition, as we were appointed auditors of Jinjiang Chaoda Shoes and Garment Co., Limited during 2014, we were not able to observe the counting of the physical inventories at the beginning of financial year 2011 or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2011. Our audit opinion on the financial report for the year ended 31 December 2011 was modified accordingly.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe beginning inventory quantities as at 31 December 2010 or had the limitation on the scope of the work as discussed in the basis for qualification paragraph not existed

- a the financial report of Jinjiang Chaoda Shoes and Garment Co., Limited
 - i presents fairly, in all material respects, the Company's financial position as at 31 December 2011 and of its performance and cash flows for the year then ended; and
 - ii complies with International Financial Reporting Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S.J. Gray
Partner – Audit & Assurance

Adelaide, 17 December 2014